DRAFT TEMPLATE

Norfolk County Council
at your service

Statement of Accounts
2010-11

Contents

Explanatory Foreword

Introduction

This document presents the statutory financial statements for Norfolk County Council for the period from 1 April 2010 to 31 March 2011.

This is the first year that the Council has been required to comply with International Financial Reporting Standards (IFRS) which has brought about a number of changes to the layout and content of the accounts. The accounts are set out in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2010-11: Based on International Financial Reporting Standards, which defines the content and layout of the accounts.

A summary of the key changes is included further on in this foreword and detailed information on changes from previous years is included throughout the document where appropriate.

Information on the accounts is presented as simply and clearly as possible. However, due to the technical nature of the accounts, the use of accounting terms is required in certain cases. A glossary of the meaning of these terms is provided at the end of this document to help the reader's understanding.

The Code of Practice is prepared on the basis that the published Statement of Accounts gives interested parties, including electors, council members and employees, clear information about the Council's finances, and allows the accounts to be comparable with other local authority accounts.

The Council's statement of accounts is one of the many statutory documents produced throughout the year that inform stakeholders of the activities of the authority. Publication of the accounts is an essential feature of public accountability, since the accounts provide the stewardship report on the use of funds raised from the public and business ratepayers.

Annual Governance Statement

This section is a review of the Council's governance framework and the effectiveness of the Council's internal control and risk management systems.

The Main Accounting Statements

The accounting statements in this section show the results of the County Council and the consolidated results of the County Council with the interests the Council has in subsidiaries, associates and joint ventures. The accounting statements for 2010-11 comprise:

1. The core statements

- Movement in Reserves Statement –
  This statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' and other reserves. The surplus/deficit on the Provision of Services line shows the true economic cost of providing the Council's services, more details of which are shown in the Comprehensive Income & Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance for council tax setting purposes. The 'Net Increase/Decrease before Transfers to Earmarked Reserves' line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.
- Comprehensive Income & Expenditure Statement –
  This statement analyses the Council's day to day operations. It summarises the resources that have been

generated and consumed in providing services and managing the Council. It shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Councils raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

- Balance Sheet –
  The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve may only be used to fund capital expenditure or repay debt). The second category of reserves includes those that the Council is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement of Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.
- Cash flow Statement –
  The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council.

2. Notes to the Accounts

Supporting information on the figures included in each of the Core Statements is shown in the accompanying notes, together with details of the Council's accounting policies.

3. Supplementary Statements

The accounts contain two supplementary statements:

- Fire fighters Pension Fund Accounts
- Pension Fund Accounts – this section summarises the revenue and investment transactions of the Norfolk Pension Fund for 2010-11 and its financial position at 31 March 2011.

Supporting notes follow each of the supplementary statements above.

Accounting Policies

The accounting policies adopted by the County Council comply with the relevant recommended accounting practice, except where stated. Due to the introduction of IFRS there are some significant changes compared to previous years. These are:

- Government Grants and Contributions –
  Unless there are specific conditions, grants and contributions, received are accounted for immediately in the comprehensive income and expenditure statement. The previous accounting policy was to match the expenditure with the grant.
- Leases –
  The definition of finance/operating leases has changed and leases have been reviewed to comply with the new definition. Property leases are now classified and accounted for as separate leases of land and buildings.
- Property, Plant and Equipment –
  The value of assets which can be split into "components" are now accounted for separately with a depreciation charge on each part. A new classification of "Assets held for sale" has been introduced and the accounting treatment for impairment has changed.
- Accumulated Absences –
  The cost of any untaken leave and similar employee benefits at the end of the financial year is now accrued for and included within the accounts.

The Council's accounting policies are fully explained in note 1 to the accounts.

Group Accounts

The Code of Practice requires that Councils consider the need to include group accounts in its published Statement. The Council has reviewed its interests in companies and other organisations to determine which are to be included in the Group Accounts for 2010-11. Details of these are shown within the Core Statements and Notes to the Accounts.

Norfolk Pension Fund

Norfolk County Council is the administering body for the Norfolk Pension Fund. The main financial statements of the pension fund are included in the Statement of Accounts for the County Council. Consequently the Statements of Assurance cover both the County Council and the Pension Fund. Details of the Norfolk Pension Fund accounting statements are shown on pages 196 to 237. Copies of the full annual report for the pension fund are available from the Head of Finance, P.D. Brittain, Norfolk County Council, County Hall, Martineau Lane, Norwich, NR1 2DW.

Pensions Deficit

The accounts reflect the underlying commitment that the Council has to pay future retirement benefits for its employees, as required by IAS 19. As a result, the estimated pension liability, measured on an actuarial basis, is included in the Council's Balance Sheet, effectively reducing the stated Net Worth of the Council by £511.742m.

The pension fund deficit does not represent an immediate call on the Council's reserves but provides a snapshot at 31st March 2011, with the value of assets and liabilities changing on a daily basis. There is a neutral impact on the Council's Comprehensive Income and Expenditure Statement reported

for the year as the effect of IAS 19 is reversed through the use of a pensions reserve. Further information on this is included in the Accounting Policies and the notes to the Core Financial Statements.

Post Balance Sheet Events

The Code of Practice requires the Council to consider events occurring after the Balance Sheet date and up to the date the accounts are authorised for issue.

The Council's 26 Residential Care homes, together with the 913.3 FTE staff, transferred to Norse on 1 April 2011. A reduction of tangible fixed assets with a gross book value of £26.0m at the 31st March 2011 will be made in the 2011-12 financial statements.

Provisions

At the beginning of the financial year, the Council's provisions stood at £33.195m. During the year, the provision of £21.964m for revised pay scales and conditions of services has been fully utilised with the implementation of an agreement from 1st April 2010. The agreement between the Council and Unions entitled some staff, who met certain criteria, to a compensation payment for the period 1st April 2007 to 31 March 2010. These were all made during the year.

Contributions have been made to the Insurance and Redundancy provisions during 2010-11 resulting in an overall net decrease of £15.290m.

Reserves

The Council's usable reserves at the beginning of the financial year amounted to £125.368m. During 2010-11 some of the usable reserves have been used to support budgeted expenditure and capital projects. Despite this, the Council has further increased its level of usable reserves to £147.683m at 31 March 2011

Icelandic Bank Investments

In October 2008, the County Council, alongside a number of other local authorities had deposits in various Icelandic banks with a range of payment due dates. In the week beginning 6 October 2008, a number of Icelandic banks went into administration.

The Winding Up Boards for Glitnir and Landsbanki have announced that local authorities are to have different creditor status in the administration process. Glitnir has announced that local authorities are to be treated as "general unsecured" rather than "priority" creditors. This is on the basis that Glitnir's Winding Up Board believes local authorities claims are loans rather than deposits. Landsbanki has recognised local authorities claims as having priority status under the Icelandic Bankruptcy Act.

On 1 April 2011, the Icelandic District Court found in favour of UK local authority depositors and ruled that deposits placed by UK local authority depositors have priority status in the winding up of both Landsbanki and Glitnir.

The decision has been appealed to the Icelandic Supreme Court which will now determine the creditor status for both Icelandic banks.

In late May 2011, revised accounting guidance was published on how local authorities should account for Icelandic deposits in their 2010-11 Statement of Accounts. The guidance was based on detailed information available at the time and allows all authorities to take a consistent approach to accounting for their Icelandic deposits. In accordance with the latest guidance,

the Council has made an appropriate level of impairment for each bank within the Statement of Accounts. Details of the impairment for each bank are shown in Note 8 to the Core Financial Statements on page 84.

When the outcome of the Icelandic court case is known and more information becomes available from the administrators, regarding the amounts to be recovered, it is likely that the assumptions used to calculate the impairment value will need to be revised. This may decrease or increase the impairment value.

Impact of the Current Economic Climate

The current economic climate has had a significant impact on the level of funding the council has received in 2010-11 and for future years. The council has tried to minimise the impact on council tax payers by finding efficiency savings within the council, however this had lead to some unavoidable reductions in services.

The Council set its Financial Strategy and Medium Term Financial Plan in February 2011. This set out plans for both revenue and capital for the next three years (2011-12 to 2013-14).

Revenue Budget and Outturn

The net revenue budget agreed by the County Council for 2010-11 was £579.240m.

Spending against the cash limited budget has been monitored regularly throughout the year, and reports from Chief Officers have been received at each of the Council's Cabinet meetings.

The final outturn position for the year against the revised budget is set out in the table below together with the sources of income from which the Council's net revenue expenditure was financed. These figures are based on the service and portfolio responsibilities rather than the total cost of providing services, (including apportionment of support services and adjustments to show the true cost of providing pensions to employees), which is used in the Comprehensive Income and Expenditure Statement on page 45.

The net outturn position consists of departmental underspends of £0.475m.

Service/Portfolio	Budget	Outturn	Variance overspent/ (underspent)
	£000s	**£000s**	**£000s**
Children's Services	199,105	199,372	267
Adult Social Services	242,820	239,530	(3,290)
Environment, Transport and Development	113,088	111,015	(2,073)
Fire	31,001	31,001	0
Cultural Services	20,645	20,634	(11)
Central Departments	(27,419)	(22,787)	4,632
Service Expenditure	**579,240**	**578,765**	**(475)**
Revenue Support Grant	30,210	30,210	0
Business Rates	208,042	208,042	0
Council Tax	340,988	340,988	0
Total Income	**579,240**	**579,240**	**0**
Net Outturn Position	**-**	**(475)**	**(475)**

Capital Budget and Spending

Council approved a capital budget totalling £204.969m in February 2010. Slippage carried forward from 2009-10 was added to the programme and movements to future years reduced the total Capital Programme to £167.647m. Capital spending (including accrued expenditure) for 2010-11 amounted to £148.116m. The main sources of finance were borrowing and grants. Borrowing was met from internal sources during 2010-11 and amounted to £45.557m. No long term borrowing took place during the year. The Council achieved capital receipts totalling £0.794m from the sale of property and capital receipts of £3.669m when assets that were partially complete at 31 March 2010 were transferred to a leasing company or sold.

Borrowing

The County Council borrows in the long-term to finance capital expenditure and in the short-term, to smooth cash flow requirements of the Council on a daily basis.

The principal source of borrowings in excess of one year (i.e. classified as long-term borrowing) is the Public Works Loans Board. At the end of 2010-11, the Council's long term borrowing totalled £534m. No additional borrowing was entered into in 2010-11 and the decrease on the previous year is due to repayment of £10m of borrowing in 2010-11. There is no short-term borrowing at the end of the year.

Service/Portfolio	**Budget**	**Outturn**	**Variance overspent/ (underspent)**
	£000s	**£000s**	**£000s**
Children's Services	74,355	74,288	(67)
Adult Social Services	8,980	2,370	(6,610)
Environment, Transport and Development	67,060	62,964	(4,096)
Fire	5,559	3,060	(2,499)
Cultural Services	2,544	1,890	(654)
Central Departments	9,149	3,544	(5,605)
Service Expenditure	**167,647**	**148,116**	**(19,531)**
Borrowing	58,170	45,557	(12,613)
Capital Receipts	5,796	4,704	(1,092)
Grants	92,920	89,815	(3,105)
Contributions from Revenue and reserves	10,761	8,040	(2,721)
Total Funding	**167,647**	**148,116**	**(19,531)**

Council Services in Norfolk

Local Government services in Norfolk are currently provided by the County Council, seven district/borough councils and numerous town and parish councils. Norfolk County Council is one of 31 Shire County Councils in England.

County Council Services include		
Building Conservation	Fire Service	Road and Footway Lighting
Children's Services	Highways (incl. Footpaths)	Adult Social Services
Coroners	Libraries	Strategic Planning
Countryside	Museums	Tourism
County Farms	Planning	Trading Standards
Economic Development	Public Transport Support	Waste Management
Emergency Planning	Records Office	Youth Service
Environmental Policy	Registrars	

District/Borough Councils are responsible for		
Building Regulations & Local Planning	Environmental Health	Leisure and Tourism
Bylaws	Footpaths/Bridleways	Public Conveniences
Car Parks	Footway Lighting	Recycling
Concessionary Fares	Housing Benefits	Refuse Collection/Street Cleaning
Economic Regeneration	Housing/Homelessness	

Town and Parish Councils are responsible in certain areas for		
Allotments	Community Centres	War memorials
Bus Shelters	Footway Lighting	
Burial Grounds and Cemeteries	Recreational Facilities	

Staff Employed by the Council

The table below shows details of the number of people directly employed by the County Council shown as full time equivalent (fte) numbers.

The figures include permanent, temporary, sessional and supply staff. The calculations include secondary and tertiary jobs in line with calculations used in our locally published staffing data.

Service		As at March 2010	As at March 2011	Net Change
Children's Services	- Non Schools	2,392	2,139	(253)
	- Schools	11,814	11,249	(565)
	- Supply and Casuals (Schools and Non Schools)	465	409	(56)
	Children's Services Totals	14,671	13,797	(874)
Adult Social Services		2,760	2,477	(283)
Environment, Transport and Development		906	817	(89)
Fire		458	444	(14)
Cultural Services		678	602	(76)
Central Departments		717	1,008	291
Other Services (Registrars)		30	30	0
TOTAL		20,220	19,175	(1,045)

The figures have been collated to reflect the changes that have taken place in 2010/11 including changes to departmental structures. The main variations in staffing levels can be summarised as follows:

Services previously shown under ‘Other Services’ are now included in Children’s Services (Connexions and YOT) and Planning and Transportation (Trading Standards). The 2010 baseline has been adjusted to reflect this.

During 2010 the County Council undertook an organisational review which led to the reduction of, in particular, a range of management posts across departments. In addition, staff numbers reduced in some departments due to in year funding changes. For example, in Children’s Services with the restructuring of Connexions Service and changes in area based grant.

Shared services arrangements were also established for a number of professional groupings e.g. Finance, ICT, and Human Resources. Staff previously working in these functions, but within service departments, were transferred to the new shared services. This is reflected in the increase in numbers in Central departments. Also contributing to this increase are partnership working arrangements with some District Councils, for example, the establishment of nplaw.

Schools determine their own staffing levels within delegated funding. The reduction over the previous year reflects a number of schools opting for Academy status and staffing adjustments in relation to falling school rolls.

Further changes have now taken place, as anticipated in the 2011-12 staffing budget, with the transfer of Residential Care and Housing with Care to Norse – this transfer, affecting 913.3 FTE staff, took effect from 1st April 2011 and, therefore, is not reflected in the above figures.

Further Information

Interested members of the public have a statutory right to inspect the accounts before the audit is completed. This has been advertised in the local press. The authority complies with the Freedom of Information Act 2005 requirements in responding to queries from the general public.

Further information about the financial statements and accounts is available from the Head of Finance, P.D. Brittain, Norfolk County Council, County Hall, Martineau Lane, Norwich, NR1 2DW.

Annual Governance Statement for Norfolk County Council

1 Introduction

1.1 The Department of Communities and Local Government proposed and consulted on revisions to and consolidation of the Accounts and Audit Regulations relating to local authorities. The consultation period ended on 4 March 2011 and the new regulations, the Accounts and Audit (England) Regulations 2011 came into force on 31 March 2011 and apply to accounting statements ending on this date.

1.2 These regulations require that

- the Council must conduct a review at least once a year of the effectiveness of its system of internal control,
- findings of this review should be considered by the Council,
- the Council must approve an Annual Governance Statement and
- the Annual Governance Statement must accompany the Statement of Accounts.

For Norfolk County Council (NCC) the Audit Committee undertakes these duties on behalf of the Council.

1.3 The Chief Internal Auditor reviews the effectiveness of the system of internal control throughout the year and reports annually to the Audit Committee. The Chief Internal Auditor reported to the Audit Committee on the 27 June 2011 that in his opinion the system of internal control including the arrangements for the management of risk during 2010-11 was acceptable and therefore considered sound. There were no findings with respect to his review of the system of internal control which required reporting to the Committee. The Committee concurred with this opinion. This Annual Governance Statement will be submitted to the Audit Committee for approval with the Statement of Accounts to the September meeting of the Committee.

2 Scope of responsibility

2.1 The Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and is used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness. In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions, including arrangements for the management of risk.

2.2 The Council has approved and adopted a Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE Framework 'Delivering Good Governance in Local Government'. A copy of the Code is on our website at www.norfolk.gov.uk or can be obtained from Mr P D Brittain, Head of Finance, Norfolk County Council, County Hall, Martineau Lane, NR1 2DW

2.3 Through the application of the Code of Practice on Local Authority Accounting in England and Wales: A Statement of Recommended Practice, the Council has to include within the Annual Governance Statement reference to controls where significant activities take place through a group entity.

2.4 This Statement explains how the Council has complied with the Code of Corporate Governance and meets the requirements of regulation 4 of the Accounts and Audit (England) Regulations 2011, in relation to the publication of an Annual Governance Statement.

2.5 Norfolk Fire and Rescue Service (NF&RS) is a County Fire Service. The service is delivered as a department of Norfolk County Council and as such, shares the same Governance framework. The governance arrangements for the Service are included in the body of this Statement with particular reference to areas where the arrangements differ from those of the Council or are enhanced in the NF&RS.

2.6 The Council administers the Norfolk Pension Fund and the Norfolk Firefighters Pension Fund. The governance arrangements are statutorily prescribed. The Council complies with these requirements.

2.7 The Council has several Joint Committees which are the:

- Norfolk Records Committee,
- Norfolk Joint Museums and Archeology Committee,
- Norwich Highways Agency Committee and
- Eastern Sea Fisheries Joint Committee.

In accordance with the regulations, all the joint committees publish their own Annual Governance Statements except the Norwich Highways Agency Committee for which there is no such requirement.

2.8 NORSE Group Limited is a company wholly owned by the Council. It is the parent company of NPS Property Consultants Limited, Norfolk Environmental Waste Services Ltd and Norse Commercial Services Ltd. These companies are referred to throughout this Statement as NORSE. The governance arrangements for NORSE are included in the body of this report and where there are unique arrangements, these appear at the end of each section and in a separate section where the arrangements are specific to NORSE.

3 The purpose of the governance framework

3.1 The governance framework comprises the systems and processes, culture and values by which the Council is directed and controlled, and through which it accounts to, engages with and leads the community. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services. The NF&RS is delivered as a department of the Council and as such, shares the same framework of governance as the Council.

3.2 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives, and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

3.3 NORSE has a system of governance which is the responsibility of the Board of Directors. It is designed to give the Directors adequate information to review the activities of the Group and to review and control its business risks. NORSE also reports regularly to its sole shareholder, the Council. This reporting is achieved by reporting to Cabinet, to the Shareholder Committee and to the Council's Head of Finance.

3.4 The NORSE Board includes a Senior Member of the Council and is now (from 1 April 2011) chaired by the Chief Executive of the Council. The Council holds control of the Group of Companies.

3.5 The governance framework has been in place at the council, NF&RS and NORSE for the year ended 31 March 2011 and changes up to the date of approval of this Statement are included within the Statement.

4 The key elements of the systems and processes that comprise the Council's, NF&RS's and NORSE's governance arrangements are described below. In drawing up this Statement a wide range of officers have been consulted – See note 1.

	Control	Effectiveness
4.1	Identifying and communicating the authority's vision of its purpose and intended outcomes for citizens and service users.	The Council is facing significant changes as a result of the economic downturn and the outcome of the Comprehensive Spending Review announced in October 2010. The Council has responded to the financial pressures through a comprehensive review of its role and priorities. This review was subject to extensive consultation, with all stakeholders (the Big Conversation) to seek views on the overall direction of the Council and specific savings and proposals for the next three years. Our County Council Plan sets out our overall strategic and financial framework for Council services over a three year time frame and is refreshed annually during the three year period. A new County Council Plan for 2011-14 was agreed by County Council in May 2011. The County Council Plan 2011-14 confirmed that the previous three strategic ambitions should remain. These are the areas fundamental to the overall economic, social and environmental wellbeing of Norfolk. By focussing on these ambitions, we aim to lead and bring about a step change for Norfolk. Our strategic ambitions are for Norfolk to: • Be an… Inspirational place with a clear sense of identity • Have a … Vibrant, strong and sustainable economy • And have… Aspirational people with high levels of achievement and skills Supporting this, the County Council Plan sets out our core role. Due to the significant challenges facing the Council, we have redefined our role, our priorities

Control	Effectiveness

and how these will be delivered in the medium term. Our new core role will see us focus our efforts and money on:

- Speaking up for Norfolk,
- Assessing and Commissioning,
- Supporting, developing and maintaining the infrastructure that helps our economy,
- Enabling communities,
- Being a safety net for the most vulnerable people and
- Signposting people to the services they need.

Our service objectives set out how we will deliver our core role and Chief Officers have prepared service plans against these objectives identifying the planned actions, key milestones and responsible officers.

The new County Council Plan also sets out the challenges we are facing, our approach to delivering change and transformation and how we work. The Plan clearly links including linking to the NCC Financial Strategy and Medium Term Financial Plan.

Our County Council Plan 2011-14 can be accessed on the Council's website and is principally a web-based resource.

The Leader of the Council has provided a clear steer for the Council, setting out his vision for the development of Norfolk County Council, communicated through the County Council Plan, to prepare the organisation for meeting the challenges ahead.

The Norfolk Forward portfolio, overseen by the Chief Officer Group, encompasses the large programme of change we are implementing across the organisation, to transform the way we work and to deliver the budget savings that were agreed by Council in February 2011.

	Control	Effectiveness
		The NF&RS adopts the strategic ambitions and the core role of the Council as set out in the County Council Plan. Individual NORSE companies have separate mission, vision and value statements.
4.2	Reviewing the Council's vision and its implications for the authority's governance arrangements.	To ensure the Council is always working in the best interests of the people of Norfolk, Members and Officers review its medium term plan (the County Council Plan) annually. The planning cycle incorporates a contextual and financial review reported to Cabinet as part of the annual planning framework. Emerging issues are reported to Cabinet to inform decision making on the Council's future direction and medium term plans. Agendas and minutes for all public County Council, Cabinet meetings, Cabinet Scrutiny and the Overview and Scrutiny Panels are accessible on the Council's website. The Norfolk Forward programme and the Big Conversation described in section 4.1 have set out arrangements for a programme of change to deliver the Leader's vision for the Council. The Fire and Rescue Overview and Scrutiny Panel meets up to four times per year and reviews the NF&RS achievements with respect to the strategic ambitions and the core role of the Council and assesses this with respect to the implications for its governance arrangements The mission, vision and value statements of the individual NORSE companies are reviewed regularly and included in the annual business plan approved by the Board.

Control | **Effectiveness**

4.3 Measuring the quality of services for users, for ensuring they are delivered in accordance with the Council's objectives and for ensuring that they represent the best use of resources.

In May 2011, Cabinet agreed a new performance management framework for the County Council. This reflects the new challenges and changing role of the Council, a new government policy that reduces some government inspection, a drive to increase transparency and local accountability and removal of the National Indicators.

It provides a balanced approach to performance reporting through a framework focussed on four themes:

- Managing change
- Managing resources
- Quality and performance of services
- Outcomes for Norfolk people

The framework will be used to report to the public, our partners, Cabinet, Overview and Scrutiny Panels, and Departmental Management Teams. The reporting timescales are set out in the full report to Cabinet on 3 May 2011.

This continues our approach to providing integrated performance reporting incorporating service, risk and financial monitoring information.

The Audit Commission is an independent public body responsible for ensuring that public money is spent economically, efficiently, and effectively. During 2010-11, the Audit Commission ceased the Comprehensive Area Assessment (CAA), which looked at how well we were performing, including how well we used resources and changed to a Value for Money assessment.

Performance measures with respect to the NF&RS are presented to the Fire and Rescue Overview and Scrutiny Panel at each of its meetings. An example of good practice is where compressed air foam systems have been introduced into a significant proportion of Norfolk's fire-fighting fleet. This system dramatically

	Control	Effectiveness
		improves the "knock down" rate of serious fire whilst using a fraction of the water. NF&RS is a member of a purchasing consortium and using it is becoming increasingly sophisticated, for example in the recent acquisition of personal protective equipment. The Boards for the NORSE companies include senior member and officer representation appointed by the Council to consider their performance. The NORSE Shareholder Committee also reviews the performance of the Companies.
4.4	Defining and documenting the roles and responsibilities of the executive, non-executive, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication.	The Council has a Constitution which sets out how the Council operates, how decisions are made and the procedures which are followed to ensure that these are efficient, transparent and accountable to local people. The law requires us to have some of these processes, whilst others are a matter for the Council to choose. A link to the Constitution can be found on our website and includes all of these issues, including a scheme of delegation. A member and senior officer working group reviewed the Constitution during 2010-11. The review led to the Council approving some changes to the Constitution. Article 12 of the Constitution sets out the roles and responsibilities of the Senior Officers of the Council and in January 2011 the Council approved a revision to disestablish the position of the Director of Corporate Resources. NF&RS adopts the Council's Constitution. NORSE has its own Memorandum and Articles of Association outlining its powers and procedures, as well as an overarching agreement with the Council which outlines actions which require the prior approval of the Council.

	Control	Effectiveness
4.5	Developing, communicating and embedding codes of conduct, defining the standards of behaviour for members and staff.	The Council's Constitution includes a Members Code of Conduct. An Officer Code of Conduct is currently awaiting the outcome of the Department for Communities and Local Government consultation. Our Corporate HR and OD shared service produces a Human Resources Practices Manual in which there is a Standards of Conduct and Behaviour Policy for employees. It is published on "PeopleNet" which is available to all staff. It is provided to all employees on appointment. Members of the Fire and Rescue Overview and Scrutiny Panel are members of the Council and hence are bound by the Codes of Conduct for Council members. NF&RS adopts the Council's Standards of Conduct and Behaviour Policy for employees. There is a specific code relating to uniformed officers of the NF&RS. The Council's normal methods of communication are used for communicating to members and staff of the NF&RS. These have been in use for many years and the Codes are embedded within the service. For NORSE these areas are the responsibility of the Board and include written standards of conduct and behaviour.
4.6	Reviewing and updating standing orders, standing financial instructions, a scheme of delegation and supporting procedure notes/manuals, which clearly define how decisions are taken and the processes and controls required to manage risks.	The Council has Contract Standing Orders, a Scheme of Delegation, Financial Procedures and Financial Regulations. The Financial Regulations form part of the Constitution and are reviewed annually to ensure they incorporate the latest changes. Corporate Finance is responsible for updating the Financial Regulations and the accompanying procedures. Both the Audit Committee and Cabinet consider Financial Regulations prior to their approval by County Council on an annual basis. Agendas and minutes for all public County Council meetings, including Cabinet, are accessible on the Council's website.

	Control	Effectiveness
		The Audit Committee's Terms of Reference set out its duties with respect to Risk Management include the governance arrangements. The Committee receives regular reports with respect to Risk Management, including regular reports and reviews of the corporate risk register. The Council has a Risk Management Framework and Policy which is reviewed annually by the Audit Committee and significant changes are reported to and approved by the Council. Chief Officers regularly report on Risk Management to each of the Overview and Scrutiny Panels and their reports include the departmental risk registers. The NF&RS adopts the Council's Contract Standing Orders, Scheme of Delegation, Financial Regulations, Financial Procedures and Risk Management arrangements. The NF&RS has an Integrated Risk Management Plan (IRMP) which covers a three year period and is refreshed on an annual basis. The process of preparation of the plan involves analysing risks within the county and exploring options for the future. Based on statistical analysis, this process identifies how best to optimise the location and deployment of resources. Annual self assessment of the effectiveness of corporate risk management practices show improvement; the score increased from 66.7 in 2008 to 72.8 in 2009. For NORSE and the wholly owned companies, these areas are the responsibility of the relevant Boards and include written and documented procedures, risk registers and approved authorisation limits.
4.7	Ensuring the Council's financial management arrangements	The Head of Finance is the Chief Financial Officer for the Council; he is a member of the Chief Officer Group where the decisions are made with respect to

	Control	**Effectiveness**
	conform with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010)	• the development and implementation of strategy • delivery and resourcing of strategic objectives He is actively involved in and can influence material business decisions through his membership of this Group, other groups and attendance at Cabinet, committee and Council meetings. He and members of his team are responsible for • financial strategy and financial planning, in both the short and medium term, • financial planning, • risk management and • budgetary control and accounting throughout the Council. The finance shared service is resourced and fit for purpose and the Head of Finance is a qualified accountant member of CIPFA and has been for 30 years. He has wide experience of local authority finance. As part of the implementation of the Support Services Review, the arrangements for the finance function have been strengthened by reinforcing the reporting lines from departmentally distributed finance staff to the Head of Finance. The Council's financial management arrangements conform with the governance arrangements set out in the CIPFA Statement on the Role of The Chief Financial Officer in Local Government (2010). The Head of Finance is also the Chief Financial Officer for the NF&RS. For NORSE the financial results are consolidated into the annual Statements of Accounts of the Council.
4.8	Undertaking the core functions of an audit committee, as identified	The Council set up an Audit Committee in October 2005. The main purposes of the Audit Committee is to

	Control	Effectiveness
	in CIPFA's Audit Committees – Practical Guidance for Local Authorities.	• provide proactive and effective leadership on audit and governance issues, • champion audit throughout the Council, • champion risk management throughout the Council, • consider the effectiveness of the anti fraud and corruption arrangements and • review the effectiveness of the system of internal control. The minutes and agendas from its quarterly meetings are available on the Council's website. There is also general information on the website about the Audit Committee, including which councillors sit on the committee and its structure. The Committee annually reviews its Terms of Reference and changes are approved by the Council. The Council's Audit Committee includes the NF&RS within it remit. The Council's internal audit team (Norfolk Audit Services) plans and reports include work with respect to the NF&RS The Board performs the functions and duties of the Audit Committee for NORSE.
4.9	Ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful.	The Practice Director, nplaw, is also the statutory Monitoring Officer for the Council. She seeks to ensure compliance with relevant laws and regulations. A protocol covering the role and functions of the Monitoring Officer is contained within the Constitution. As the NF&RS operates as a department of the Council, the Practice Director is also Monitoring Officer for the NF&RS. For NORSE the Company Secretary fulfils this role.
4.10	Whistle-blowing, arrangements for receiving and investigating	Whenever a member of the public contacts the Council to either complain or praise the Council, the contact will be dealt with in accordance with our Complaints

	Control	Effectiveness
	complaints from the public and anti-fraud and corruption arrangements.	& Compliments Policy and Procedures. The Council also has a Whistle-blowing Policy. The Council has an Anti Fraud & Corruption Strategy and this has been updated to reflect best practice. A number of initiatives have taken place during the year and more are planned for 2011-12 to strengthen the prevention, detection and investigation of fraud and corruption. The NF&RS adopts the Council Complaints & Compliments Policy, Whistle blowing Policy and Anti Fraud and Corruption Policy. NORSE has its own published Whistle-blowing policy. A draft Anti-Fraud and Corruption Policy, based on the Council's has been prepared and is due to be adopted this year.
4.11	Identifying the development needs of members and senior officers in relation to their strategic roles, supported by appropriate training.	The Council has a Member Support Officer who is part of the Democratic Services team. This officer's role includes looking after the practical needs of the Councillors, to arrange training, to keep an up to date register of interests, to maintain the Gifts and Hospitality register, to arrange travel and conference attendance and also to deal with and resolve Information Technology queries for Members. There is a member support and development advisory group which steers all aspects of member services. The Council has been awarded and holds the Charter for Elected Member Development. There is a Corporate Learning and Development Board, which is responsible for Officer Development. Senior officers have been involved in leadership development in 2010-11 through, for example the County Council's Impact Leadership Programme and the cross organisation Norfolk-wide LEAPP programme. Senior officer development also

	Control	Effectiveness
		takes place through the County Management Team and the Senior Managers' Forum. e-learning training has continued to be developed during 2010-11 for both Members and staff and this will continue to be rolled out during 2011-12. Members of the Fire and Rescue Overview and Scrutiny Panel and staff of the NF&RS are supported in their strategic roles in the same way as other Council members and staff. Within NORSE the Company Secretary is responsible for providing Directors with advice about their roles and responsibilities.
4.12	Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation	NCC publishes several magazines - all are available electronically and people can subscribe to email updates for the public-facing publications. *Your Norfolk* magazine is delivered in hard copy to most households in Norfolk three times a year. We are also trialling an online only edition in December 2011. The online only *Norfolk Matters* magazine is specifically for parish councils. *Norfolk Business Matters* is also online only and directed at the business community. *Horizon* is for staff, and principally sent out by email, although some printed copies are available for those without regular access to email. *Norfolk Manager* is also published electronically. With regards to the statutory information that must be sent out with annual council tax bills, NCC sits on a partnership that includes Norfolk's seven district councils and Norfolk police and produces a joint leaflet.

Control

Effectiveness

NCC's website has details about all areas of our work to allow easy, instant access to information. Wherever possible NCC wants web users to have the option to 'self-serve' – they can report problems with Norfolk roads, apply for a school place or renew library books, for example. They can also pay for services such as Park & Ride season tickets. Web users can subscribe to email updates on a range of topics.

Through the website, residents can contact the council, take part in online petitions, or access Norfolk Consultation Finder - a site dedicated to current consultations and allows members of the public to participate easily in the council's activities.

We also use social media platforms where appropriate as a cost effective way to reach web users who might not visit the NCC website for information. Our main corporate Twitter feed has about 3,200 followers. We put a video walkthrough of changes to a road layout on our YouTube channel and it attracted 11,000 views. Facebook has been used to support campaigns, including NCC's campaign to see the remaining section of the A11 dualled.

Norfolk was awarded a Green Flag in the 2009 CAA assessment for a participatory budgeting approach to meeting the area's LAA targets. Norfolk County Council led the partnership project which involved local people in deciding how £200k second homes council tax money could be used to focus on targets at risk of non delivery.

In addition to accessing Council processes, NF&RS has its own website. The NF&RS consults widely on IRMP proposals as is required by government guidance. The NF&RS undertakes regular customer satisfaction surveys.

NORSE provides information via their websites and newsletters.

Control | **Effectiveness**

4.13 Incorporating good governance arrangements in respect of partnerships and other group working as identified by the Audit Commission's report on the governance of partnerships, and reflecting these in the Council's overall governance arrangements.

*'Working in Partnerships – A Strategic Framework of Good Governance" was first issued in May 2008 and refreshed in March 2009.

The Council actively provides services in partnership with other organisations.

The Audit Commission produced a report suggesting some points to ensure good control within partnerships. The Council follows these guidelines with its partners and has developed a corporate approach to partnership governance based on the Audit Commission requirements. The corporate approach includes a health-check tool, which was developed by the Cabinet Scrutiny Committee, which covers the issues identified in the Audit Commission report. Governance has been strengthened by a systematic review of our key partnerships using the health-check tool. Members have completed a review of the effectiveness of a range of partnerships through the work of Cabinet Scrutiny Committee and Overview & Scrutiny Panels. As the role of partnerships continues to adapt to changing circumstances, Overview & Scrutiny Panels continue to monitor the effectiveness and value of partnerships against the corporate framework.

4.14 The specific arrangements with respect to NORSE are set out opposite

- The Board is responsible for management of internal control throughout NORSE. A Senior Member of the Council represents the Council on each Board of the Group and its subsidiaries. The Board is now chaired by the Council's Chief Executive.
- The Company Secretaries advise the Boards of their responsibilities and ensure that the relevant statutory returns are completed. Annual General Meetings have been held during the year for NORSE and all the companies.
- The Board is responsible for considering the required internal audit coverage for the Group. During 2010 a full time Internal Auditor, reporting to the Board was appointed. NAS audit the "client side" of the Companies as part of the Council's audit plan.
- Grant Thornton provided the external audit services to NORSE for the year ended 31 January 2011. The NORSE annual accounts for the year ended 31

Control	Effectiveness

January 2011 were not qualified by the external auditors. Larking Gowen provided external audit services to NEWS Ltd; this function moved to Grant Thornton in 2010-11.

- A 2009-10 Annual report for NORSE was produced by the Managing Directors of NCS Ltd and NPS Property Consultants Ltd. and was presented to Cabinet in July 2010; this included the results for NEWS Ltd which became part of the Group in February 2008.
- Performance measuring systems both financial and non-financial are in place for all the Company Boards.
- A full business risk register is reviewed regularly by the Board.
- Annual budgets are approved by the Board and progress against these budgets is reported monthly to senior managers of the organisation and quarterly to the Board, the Shareholder Committee and the Council's Head of Finance.
- Quality assurance and management systems are in place designed to meet BS EN ISO 9001:2000 which is subject to independent review by external assessors twice every year.
- NORSE has a policy statement on Health & Safety which has been communicated to employees. The Board receives a quarterly report on Health and Safety which includes details of Reportable Accidents and trends in Health and Safety statistics.
- environmental management is championed at Board level and ISO 14001 accreditation is in place or actively being sought.
- annual appraisals are undertaken for all managerial, technical and administrative staff.
- equal opportunities are monitored at Director level and there are systems in place to monitor customer care.

5 The Council and the NF&RS has responsibility for conducting at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the executive managers within the Council who have responsibility for the development and maintenance of the governance environment, the systems and controls of the Council as outlined in paragraph 4 above.

Paragraph 5.7 sets out the additional review mechanisms applicable to the NF&RS.

Paragraph 5.8 sets out the review mechanism for NORSE

The process that has been applied in maintaining and reviewing the effectiveness of the governance framework includes:

5.1 The Council & the Executive

	Process	Comment
1	Statutory roles of Council's Monitoring Officer and Section 151 Officer to ensure internal control procedures are efficient and effective and are being complied with on a routine basis to ensure legality and sound financial standing.	• The Council, Cabinet, Scrutiny and Overview Panels and Committees have received the full range of professional officer advice to enable them to carry out their functions effectively and in compliance with statutory requirements. • An Annual Internal Audit Report from the Head of Finance/Chief Internal Auditor is made to the Audit Committee. • An Annual Report from the Monitoring Officer is made to the Audit Committee. • Approval of the annual Statement of Accounts is by the Audit Committee. • There is an annual review of the Constitution and other key policies and strategies.
2	Risk Management policies and procedures are in place to ensure that the risks facing the Council in achieving its	• The Council approved the Risk Management Framework and Policy in 2010. The Audit Committee was established in 2005 and took on the responsibility for governance arrangements for Risk Management. • The embedding of risk management into business activity continues.

	objectives are evaluated, regularly reviewed and mitigation strategies developed.	• Corporate and departmental risk registers are in place and being used as a management tool. Reporting of risk management activity to Members is embedded; for instance risk registers are regularly reported to the Audit Committee and the Overview and Scrutiny Panels. • An e-learning package for both members and officers has been developed and implemented for Risk Management and is available to all members of staff. This complements the existing training available through the CTD. Further work is envisaged during 2011-12 to promote this training. • Insurance policies and funds are in place and are regularly reviewed at least annually to ensure the Council is adequately safeguarded. • Regular financial management reports are made to Cabinet and the Overview and Scrutiny Panels.
3	Provision of effective, efficient and responsive systems of financial management.	• The Council has demonstrated its commitment through its Investors in People (IiP) accreditation, which was successfully reassessed during 2010.
4	Delivery of services by trained, skilled and experienced personnel.	• The Council Plan 2011-2014 was approved in May 2011. This sets out a framework of nine objectives linked to resource availability, together with a framework for monitoring performance against the key objectives in order to provide clear accountability to the people of Norfolk for the Council's performance.
5	Performance monitoring processes are in place to measure progress against objectives and to provide for remedial action where appropriate.	• We produce regular integrated monitoring reports on performance indicators against the improvement areas identified for each of our Corporate Objectives. We use our performance management system (Prism) to produce regular reports to the Chief Officers Group, Cabinet and the Overview and Scrutiny Panels. This ensures that performance is routinely monitored, with issues of concern being highlighted.

5.2 Cabinet Scrutiny Committee, Audit Committee, Overview and Scrutiny Panels and Pensions Committee

The scrutiny function is carried out and developed through the Cabinet Scrutiny Committee, the Audit Committee, the Overview and Scrutiny Panels and the Pensions Committee.

The Cabinet Scrutiny Committee, the Audit Committee, the Overview and Scrutiny Panels and the Pensions Committee have continued to carry out reviews across a wide range of topics and the Cabinet has received reports and recommendations including reports from external audit.

5.3 The Standards Committee

The role of the Standards Committee is to promote and maintain high standards of conduct by councillors and co-opted members.

The Committee met during 2010-11. Its business included:

- Dual-hatted Members and the Code of Conduct
- The Future of Standards for England and the Standards Framework
- Monitoring Officer's Annual Report to the Audit Committee 2009/2010
- Report on the On-line publication of Members' Interests

5.4 Chief Financial Officer

The Head of Finance is the Chief Financial Officer for the Council and the NF&RS.

The financial management arrangements conform to the CIPFA 2010 statement on the role of the CFO.

5.5 Internal Audit

Internal Audit provide independent and objective assurances across the whole range of the Council's financial and non-financial activities	• Terms of reference for the Audit Committee are reviewed annually and changes approved by the Cabinet and Full Council. • The External Auditor is able to place reliance on the work of Norfolk Audit Services and has assessed that Internal Audit provides an effective service overall. • Norfolk Audit Services is continuing to develop its work programme such that resources are allocated based on a systematic assessment of all areas of risk facing the Council in carrying out its functions. • During the 2009-10 the Audit Commission reported that the service was compliant with the CIPFA Code of Practice.

5.6 Other explicit review/assurance mechanisms

1	External Audit provide a further source of assurance by reviewing and reporting upon the Council's internal control processes and any other matters relevant to their statutory functions and codes of practice.	• The overall key message in the Audit Commission's Annual Audit Letter in November 2010 included that an unqualified opinion was issued on the Council's accounts for 2009-10. • The Council was awarded an unqualified Value for Money opinion, within the Annual Audit Letter. • The Council complies with the Accounts and Audit (England) Regulations 2011
2	Codes of practice are issued by external bodies in respect of Council services and processes, with which the Council is expected to comply.	• The Council Complies with the Code of Practice on Local Authority Accounting in England and Wales: A Statement of Recommended Practice • The Council has adopted the CIPFA Treasury Management in Public Services Code from November 2002. • Norfolk Audit Services has implemented the CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom 2006. • the Council is on track to prepare IFRS compliant accounts for 2010-11.
3	Reviews by external agencies and inspectorates, which would encompass most major services, and other specific external evaluations, for example, the Local Government Ombudsman and Health & Safety inspectorates.	• An unannounced inspection of safeguarding and looked after children services took place in March 2011. No areas for priority action were identified for Children's Services. An announced inspection is expected in June 2011. • In Adult Social Care, we completed a self-assessment against 9 outcomes for the Care Quality Commission. We had improved in one outcome area and retained an overall score of 3 out of 4.

5.7 Review Mechanisms for NF&RS

The principal review mechanism is the Fire and Rescue Overview and Scrutiny Panel.

This Panel, which is made up of 17 elected members (12 Conservative, 2 Liberal Democrats, 2 Green &1 Labour) plus the Cabinet Member for Fire and Community Services as a non-voting attendee, meets up to four times per year. Its remit includes regular review of the performance and budget monitoring of NF&RS.
Minutes from the Fire and Rescue Overview and Scrutiny Panel are presented to Cabinet.

The recommendations of the 2009 Health and Safety Executive (HSE) inspection have now been incorporated into an improvement plan which was signed off by the HSE in March 2010.

5.8 Review Mechanisms for NORSE

NORSE activities review mechanisms include

Quarterly Board meetings receive reports on all aspects of its business and performance.
The Board includes a senior Member and a senior officer of the Council.
Board meetings are also attended by the shareholder representative.
The Shareholder Committee receives quarterly reports on the activities of the Companies.
All Board Papers are sent to the Council's Head of Finance, who has a standing invitation to Board meetings.
Norfolk Audit Services reviewed aspects of the businesses as part of an ongoing audit programme.

6 Review of effectiveness

The Audit Committee has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework, including the system of internal control. The review of effectiveness is informed by the work of the executive managers within the Council who have responsibility for the development and maintenance of the governance environment, the Chief Internal Auditor's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

7 Significant governance issues

There were no significant governance issues reported during the year for the Council, the NF&RS and NORSE. There were no internal audit reports with respect to the Council of corporate significance issued during the year. However a synopsis of a corporately significant report with respect to Members and Chief Officers Expenses and Allowances was reported to the Audit Committee in June. The opinion with respect to this audit was that internal control was "acceptable".

Signed: Leader

……………………………………………………………Date…………………………

Chief Executive

……………………………………………………………Date…………………………

Statement of Responsibilities

The Council's Responsibilities

The Council is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Head of Finance;
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- approve the Statement of Accounts.

The Head of Finance's Responsibilities

The Head of Finance is responsible for the preparation of the council's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

In preparing this Statement of Accounts, the Head of Finance has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the local authority Code.

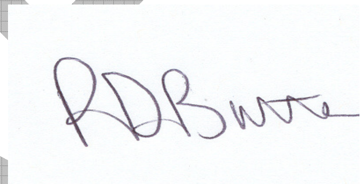
The Head of Finance has also:

- kept proper accounting records which were up to date;
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

Certificate by the Head of Finance

I certify that the Statement of Accounts set out on pages 41 to 237 give a true and fair view of the financial position of the Council at the reporting date and of its income and expenditure for the year ended 31 March 2011.

Date: 7 July 2011



P.D. Brittain,
Head of Finance

Certification of Committee Resolution

In accordance with the requirements of Regulation 10 of the Accounts and Audit Regulations I confirm that the Statement of Accounts was approved by a resolution of the Audit Committee on 22 September 2011.

Date: 22 September 2011

R.A. Smith

Chair of Audit Committee

Independent Auditors' Report to the Members of Norfolk County Council

Opinion on the financial statements

Once given the auditors opinion will be inserted here.

Movement in Reserves Statement – Council

	General Fund Balance	Earmarked Reserves	Capital Receipts Reserve	Capital Grants Unapplied Account	Total Usable Reserves	Unusable Reserves	Total Reserves of the Council
	£000s	£000s	£000s	£000s	£000s	£000s	**£000s**
Balance at 31 March 2009	**15,099**	**96,996**	**1,222**	**13,667**	**126,984**	**564,293**	**691,277**
Movement in Reserves during 2009-10							
Surplus / (Deficit) on provision of services	(80,264)	0	0	0	(80,264)	0	(80,264)
Other Comprehensive Expenditure and Income	0	0	0	0	0	(461,963)	(461,963)
Total Comprehensive Expenditure and Income	**(80,264)**	**0**	**0**	**0**	**(80,264)**	**(461,963)**	**(542,227)**
Adjustments between accounting basis & funding basis under regulations (note 9)	80,091	0	1,094	(2,537)	78,648	(78,648)	0
Net Increase / (Decrease) before transfers to earmarked reserves	**(173)**	**0**	**1,094**	**(2,537)**	**(1,616)**	**(540,611)**	**(542,227)**
Transfers to/from Earmarked Reserves (note 10)	725	(725)	0	0	0	0	0
Increase/(Decrease) in 2009-10	**552**	**(725)**	**1,094**	**(2,537)**	**(1,616)**	**(540,611)**	**(542,227)**

	General Fund Balance	Earmarked Reserves	Capital Receipts Reserve	Capital Grants Unapplied Account	Total Usable Reserves	Unusable Reserves	Total Reserves of the Council
	£000s	£000s	£000s	£000s	£000s	£000s	**£000s**
Balance at 31 March 2010	**15,651**	**96,271**	**2,316**	**11,130**	**125,368**	**23,682**	**149,050**
Movement in Reserves during 2010-11							
Surplus / (Deficit) on provision of services	88,021	0	0	0	88,021	0	88,021
Other Comprehensive Expenditure and Income	0	0	0	0	0	324,417	324,417
Total Comprehensive Expenditure and Income	**88,021**	**0**	**0**	**0**	**88,021**	**324,417**	**412,438**
Adjustments between accounting basis & funding basis under regulations (note 9)	(68,363)	0	(242)	2,899	(65,706)	65,706	0
Net Increase / (Decrease) before transfers to reserves	**19,658**	**0**	**(242)**	**2,899**	**22,315**	**390,123**	**412,438**
Transfers to/from Earmarked Reserves (note 10)	(19,183)	19,183	0	0	0	0	0
Increase / (Decrease) in Year	**475**	**19,183**	**(242)**	**2,899**	**22,315**	**390,123**	**412,438**
Balance at 31 March 2011	**16,126**	**115,454**	**2,074**	**14,029**	**147,683**	**413,805**	**561,488**

Movement in Reserves Statement – Group

	Council's Usable Reserves	Norse Usable Reserves	Total Group Usable Reserves	Council's Unusable Reserves	Norse Unusable Reserves	Total Group Unusable Reserves	Total Group Reserves
	£000s	£000s	£000s	£000s	£000s	£000s	**£000s**
Balance at 31 March 2009	**126,984**	**(7,587)**	**119,397**	**564,293**	**855**	**565,148**	**684,545**
Movement in Reserves during 2009-10							
Surplus / (Deficit) on provision of services	(80,264)	(2,562)	(82,826)	0	0	0	0
Other Comprehensive Expenditure and Income	0	3,297	3,297	(461,963)	0	(461,963)	(458,666)
Total Comprehensive Expenditure and Income	**(80,264)**	**735**	**(79,529)**	**(461,963)**	**0**	**(461,963)**	**(541,492)**
Adjustments between accounting basis & funding basis under regulations (note 9)	78,648	(65,498)	13,150	(78,648)	0	(78,648)	(65,498)
Increase/(Decrease) in 2009-10	**(1,616)**	**(64,763)**	**(66,379)**	**(540,611)**	**0**	**(540,611)**	**(606,990)**

	Council's Usable Reserves	Norse Usable Reserves	Total Group Usable Reserves	Council's Unusable Reserves	Norse Unusable Reserves	Total Group Unusable Reserves	Total Group Reserves
	£000s	£000s	£000s	£000s	£000s	£000s	**£000s**
Balance at 31 March 2010	**125,368**	**(72,350)**	**53,018**	**23,682**	**855**	**24,537**	**77,555**
Movement in Reserves during 2010-11							
Surplus / (Deficit) on provision of services	88,021	23,436	111,457	0	0	0	111,457
Other Comprehensive Expenditure and Income	0	(30,465)	(30,465)	324,417	0	324,417	293,952
Total Comprehensive Expenditure and Income	**88,021**	**(7,029)**	**80,992**	**324,417**	**0**	**324,417**	**405,409**
Adjustments between accounting basis & funding basis under regulations (note 9)	(65,706)	62,519	(3,187)	65,706	0	65,706	62,519
Increase / (Decrease) in Year	**22,315**	**55,490**	**77,805**	**390,123**	**0**	**390,123**	**467,928**
Balance at 31 March 2011	**147,683**	**(16,860)**	**130,823**	**413,805**	**855**	**414,660**	**545,483**

	31 March 2010	31 March 2011
	£000s	£000s
Total reserves in the Movement in Reserves Statement	77,555	545,483
Minority interests' share of reserves of subsidiaries	(398)	(206)
Total Reserves in the Balance Sheet	**77,157**	**545,277**

Comprehensive Income and Expenditure Statement – the Council

	2009-10 (Restated)			2010-11		
	Gross Expenditure £000s	**Income £000s**	**Net Expenditure £000s**	**Gross Expenditure £000s**	**Income £000s**	**Net Expenditure £000s**
Adult Social Care	386,196	159,313	226,883	397,534	146,120	251,414
Central Services to the Public	4,446	1,480	2,966	4,128	1,772	2,356
Cultural, Environmental, Regulatory and Planning Services	137,096	44,111	92,985	140,380	36,918	103,462
Education and Children's Services	911,380	639,968	271,412	892,796	672,921	219,875
Fire and Rescue Services	33,764	2,235	31,529	34,976	2,252	32,724
Highways and Transport Services	117,090	56,386	60,704	105,850	44,270	61,580
Corporate and Democratic Core	4,407	1	4,406	3,806	0	3,806
Non Distributed Costs	3,688	0	3,688	2,293	0	2,293
Exceptional Items (note 47)	0	0	0	(176,163)	0	(176,163)
Cost of Services	**1,598,067**	**903,494**	**694,573**	**1,405,600**	**904,253**	**501,347**
Other Operating Expenditure (note 11)			8,624			75,629
Financing and Investment Income and Expenditure (note 0)			64,939			59,712
Taxation and Non-Specific Grant Income (note 13)			(687,872)			(724,709)
Surplus / Deficit on Provision of Services			**80,264**			**(88,021)**

	2009-10 (Restated)			2010-11		
	Gross Expenditure £000s	Income £000s	Net Expenditure £000s	Gross Expenditure £000s	Income £000s	Net Expenditure £000s
Surplus / Deficit on Revaluation of Fixed Assets			6,628			(29,082)
Surplus / Deficit on Revaluation of Available for Sale Financial Assets			0			0
Actuarial Gains / Losses on Pension Assets / Liabilities			455,335			(295,335)
Other Comprehensive Income and Expenditure			**461,963**			**(324,417)**
Total Comprehensive Income and Expenditure			**542,227**			**(412,438)**

Comprehensive Income and Expenditure Statement – Group

This statement includes the combined income and expenditure of the Council and its wholly owned subsidiary, Norse Group Ltd.

	2009-10 (Restated)			2010-11		
	Gross Expenditure £000s	**Income £000s**	**Net Expenditure £000s**	**Gross Expenditure £000s**	**Income £000s**	**Net Expenditure £000s**
Adult Social Care	390,954	164,497	226,457	398,997	147,637	251,360
Central Services to the Public	4,481	1,518	2,963	3,610	1,262	2,348
Cultural, Environmental, Regulatory and Planning Services	156,277	64,387	91,890	152,309	48,982	103,327
Education and Children's Services	950,970	681,227	269,743	924,960	705,311	219,649
Fire and Rescue Services	33,513	1,990	31,523	34,872	2,150	32,722
Highways and Transport Services	119,051	58,437	60,614	107,486	45,916	61,570
Other Services	46,435	47,888	(1,453)	41,647	41,590	57
Corporate and Democratic Core	13,295	9,166	4,129	11,279	7,507	3,772
Non Distributed Costs	6,257	2,645	3,612	4,634	2,351	2,283
Other Operating Income	0	346	(346)	0	482	(482)
Exceptional Items (note 47)	0	0	0	(202,457)	0	(202,457)
Cost of Services	**1,721,233**	**1,032,101**	**689,132**	**1,477,337**	**1,003,188**	**474,149**
Other Operating Expenditure (note 11)			8,624			75,629
Financing and Investment Income and Expenditure (note 0)			67,818			61,760
Taxation and Non-Specific Grant Income (note 13)			(687,872)			(724,709)
Surplus / Deficit on Provision of Services			**77,702**			**(113,171)**

	2009-10 (Restated)			2010-11		
	£000s Gross Expenditure	**£000s Income**	**£000s Net Expenditure**	**£000s Gross Expenditure**	**£000s Income**	**£000s Net Expenditure**
Share of surplus or deficit of associates			2			6,842
Tax Expenses			(3,297)			(67)
Group Surplus / Deficit			**74,407**			**(106,396)**
Surplus / Deficit on Revaluation of Fixed Assets			6,628			(29,082)
Surplus / Deficit on Revaluation of Available for Sale Financial Assets						
Actuarial Gains / Losses on Pension Assets / Liabilities			526,047			(332,642)
Other Comprehensive Income and Expenditure			**532,675**			**(361,724)**
Total Comprehensive Income and Expenditure			**607,082**			**(468,120)**

Balance Sheet

	Note	The Council 1 April 2009 (Restated) £000s	The Council 31 March 2010 (Restated) £000s	The Council 31 March 2011 £000s	Group 1 April 2009 (Restated) £000s	Group 31 March 2010 (Restated) £000s	Group 31 March 2011 £000s
Property, Plant & Equipment	14	1,619,832	1,600,878	1,580,165	1,639,119	1,622,974	1,604,400
Investment Property	15	38,740	32,099	29,582	38,740	32,099	29,582
Intangible Assets	16	18,392	12,373	8,332	22,560	18,430	13,846
Long Term Investments	17	55,765	34,417	22,936	43,801	22,453	10,972
Investments in Associates and Joint Ventures		0	0	0	0	8	89
Long Term Debtors	17	7,554	11,215	11,164	4,843	6,231	6,338
Assets held for sale	21	0	0	1	0	0	1
Deferred Tax Asset		0	0	0	9,425	13,899	8,045
Long Term Assets		**1,740,283**	**1,690,982**	**1,652,180**	**1,758,488**	**1,716,094**	**1,673,273**
Short Term Investments	17	89,640	45,265	75,836	85,640	42,265	72,836
Inventories	18	2,706	2,722	2,425	4,905	4,702	4,303
Short Term Debtors	19	81,828	76,494	75,141	108,216	102,290	108,426
Cash and Cash Equivalents	20	134,738	132,040	79,330	138,693	136,279	81,652
Assets Held for Sale	21	1,005	97	922	1,005	97	922
Current Tax Asset		0	0	0	320	0	0
Current Assets		**309,917**	**256,618**	**233,654**	**338,779**	**285,633**	**268,139**
Bank overdraft	20	0	0	0	(896)	(1,359)	(1,404)
Short Term Borrowing	17	(9,290)	(17,403)	(15,728)	(10,676)	(18,465)	(16,322)
Other Short Term Liabilities	17	(4,437)	(3,801)	(3,614)	(5,487)	(4,687)	(4,019)
Short Term Creditors	22	(139,943)	(145,035)	(135,132)	(165,685)	(169,914)	(166,965)
Provisions	23	(24,647)	(23,377)	(6,171)	(24,647)	(23,377)	(6,171)
Current tax liability		0	0	0	0	(911)	(284)
Current Liabilities		**(178,317)**	**(189,616)**	**(160,645)**	**(207,391)**	**(218,713)**	**(195,165)**

	Note	The Council 1 April 2009 (Restated) £000s	31 March 2010 (Restated) £000s	31 March 2011 £000s	Group 1 April 2009 (Restated) £000s	31 March 2010 (Restated) £000s	31 March 2011 £000s
Long Term Creditors	17	(2,176)	(1,958)	(1,794)	(1,003)	(2,835)	(3,348)
Provisions	23	(7,030)	(9,818)	(11,734)	(7,224)	(9,915)	(11,824)
Long Term Borrowing	17	(606,453)	(538,295)	(529,635)	(606,453)	(538,295)	(529,635)
Other Long Term Liabilities	17	(511,625)	(993,609)	(566,800)	(537,635)	(1,089,558)	(602,425)
Capital Grants Receipts in Advance	39	(53,322)	(65,254)	(53,738)	(53,322)	(65,254)	(53,738)
Long Term Liabilities		**(1,180,606)**	**(1,608,934)**	**(1,163,701)**	**(1,205,637)**	**(1,705,857)**	**(1,200,970)**
Net Assets		**691,277**	**149,050**	**561,488**	**684,239**	**77,157**	**545,277**
Usable Reserves	24	126,984	125,368	147,683	119,397	53,018	130,823
Unusable Reserves	25	564,293	23,682	413,805	564,842	24,139	414,454
Total Reserves		**691,277**	**149,050**	**561,488**	**684,239**	**77,157**	**545,277**

Cash Flow Statement

	The Council		Group	
	31 March 2010 (Restated) £000s	31 March 2011 £000s	31 March 2010 (Restated) £000s	31 March 2011 £000s
Net surplus or deficit on the provision of services	**80,264**	**(88,021)**	**77,702**	**(113,171)**
Adjust net surplus or deficit on the provision of services for non-cash movements	(204,515)	(17,922)	(207,884)	1,205
Adjust for Items in the net surplus or deficit on the provision of services that are investing and financing activities	92,413	97,187	89,273	97,669
Net cash flows from Operating Activities (note 26)	(31,838)	(8,756)	(40,909)	(14,297)
Investing Activities (note 27)	(34,158)	40,589	(26,236)	47,015
Financing Activities (note 28)	68,694	20,877	70,022	21,954
Net (increase) or decrease in cash and cash equivalents	**2,698**	**52,710**	**2,877**	**54,672**
Cash and cash equivalents at 1 April 2010	**134,738**	**132,040**	**137,797**	**134,920**
Cash and cash equivalents at 31 March 2011 (note 20)	**132,040**	**79,330**	**134,920**	**80,248**

Notes to the Financial Statements

1. Accounting Policies

1.1 General Principles

The Statements of Accounts summarises the Council's transactions for the 2010-11 financial year and its position at the year end of 31 March 2011. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2011, which those regulations require to be prepared in accordance with proper practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2010-11 (the Code) and the Best Value Accounting Code of Practice supported by International Financial Reporting Standards (IFRS) and statutory guidance issued in the Local Government Act 2003.

The accounting convention adopted is principally historical cost, modified by the revaluation of certain categories of non current assets and financial instruments.

1.2 Accounting Principles

<u>Relevance</u>

The objective of financial statements is to provide information about an Authority's financial performance and position that is useful for assessing the stewardship of public funds and for making economic decisions.

<u>Reliability</u>

Financial information is reliable if it can be depended on to represent faithfully what it either purports to represent or what it can be reasonably expected to represent and is free from deliberate, systematic or material error.

<u>Comparability</u>

The information in the accounts is more useful if it can be compared with information for some other period or point in time. This depends upon consistency in the application of the accounting policies, unless it can be shown that a new policy would introduce improved accounting practices.

<u>Understandability</u>

The accounting principles on which the Code is based include accounting concepts, treatments and terminology which require reasonable knowledge of accounting and local government, and reasonable diligence in reading the financial statements if

they are to be properly understood. However all reasonable efforts have been taken in the preparation of the financial statements to ensure they are as easy to understand as possible.

Materiality

Strict compliance with the Code, both as to disclosure and accounting principles, is not necessary where the amounts involved are not material to the fair presentation of the financial position and transactions of the authority and to the understanding of the Statement of Accounts by a reader.

Accruals

This requires the non-cash effects of transactions (debtors and creditors) to be reflected in the financial statements for the accounting period in which those effects are experienced and not in the period in which any cash is received or paid.

Going Concern

A local authority's Statement of Accounts should be prepared on a going concern basis, that is, the accounts should be prepared on the assumption that the authority will continue in operational existence for the foreseeable future. This means in particular that the income and expenditure accounts and balance sheet assume no intention to curtail significantly the scale of the operation.

1.3 Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.

- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.

Where income and expenditure has been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the balance sheet. Where it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected

1.4 Area Based Grant

Area Based Grant (ABG) is a general grant allocated by central government directly to local authorities as additional revenue funding. ABG is non-ringfenced and is credited to Taxation and Non-Specific Grant Income in the Comprehensive Income and Expenditure Statement.

1.5 Basis of Consolidation – Group Accounts

The Group Accounts have been prepared using the group accounts requirements of the Code. Companies or other reporting entities that are under the ultimate control of the Council have been included in the Council's group accounts to the extent that they are material to users of the financial statements in relation to their ability to see the complete economic activities of the Council and its exposure to risk through interests in other entities and participation in their activities.

Subsidiaries have been consolidated on a line by line basis, subject to the elimination of intra-group transactions from the statements, in accordance with the Code.

Where subsidiary undertakings have an accounting year end of 31 January, the accounts as at the end of January 2011 have been used to prepare the Council's group financial statements, other than those relating to retirement benefits which have been adjusted to 31 March 2011. No amendments have been necessary to the accounts of the group entities as a result of material differences arising from variation in accounting policies.

1.6 Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in 7 days or less or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Authority's cash management.

1.7 Charges to Revenue for Non Current Assets

Services, support services and trading accounts are debited with the following amounts to record the cost of holding fixed assets during the year:

- depreciation attributable to the assets used by the relevant service
- revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off
- amortisation of intangible fixed assets attributable to the service.

The Council is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance.

Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the contribution in the General Fund Balance [MRP or loans fund principal], by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

1.8 Contingent Liabilities

A contingent liability arises where an event has taken place that gives the authority a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the authority. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

1.9 Council Tax Income

The amount shown in the Comprehensive Income and Expenditure Statement is the accrued income for the year in accordance with UK GAAP, this is different from the amount credited to the General Fund under statute. The amount credited to the General Fund is the Council's precept or demand for the year plus the Council's share of the surplus on the Collection Fund for the previous year or less its share of the deficit on the Collection Fund in the previous year.

1.10 Employee Benefits

Benefits payable during employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (eg cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Authority. An accrual is made for the cost of holiday entitlements (or any form of leave, eg time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy. These are charged on an accruals basis to the relevant service line in the Comprehensive Income and Expenditure.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

Post Employment Benefits

Employees of the Authority are members of three separate pension schemes:

- The Teachers' Pension Scheme administered by Capita Teachers' Pensions on behalf of the Department for Education (DfE).
- The Local Government Pensions Scheme, administered by Norfolk County Council; and
- The Fire Fighters' Pension Scheme

All three schemes provide defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Council. However, the arrangements for the teachers' scheme mean that liabilities for these benefits cannot ordinarily

be identified specifically to the Council. The scheme is therefore accounted for as if it was a defined contribution scheme and no liability for future payments of benefits is recognised in the Balance Sheet. The Children's and Education Services line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to Teachers' Pensions in the year.

<u>The Local Government Pension Scheme</u>

The Local Government Pension Scheme is accounted for as a defined benefits scheme:

(i) The liabilities of the Pension Fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees.

(ii) Liabilities are discounted to their value at current prices, using a discount rate of 5.5% (based on the indicative rate of return on high quality corporate bonds, as measured by the yield on the Iboxx Sterling Corporates AA over 15 years Index at the IAS19 valuation date, with the removal of recently re-rated bonds from the index.

(iii) The assets of the Pension Fund attributable to the Council are included in the Balance Sheet at their fair value:

- Quoted securities – current bid price
- Unquoted securities – professional estimate
- Unitised securities – current bid price
- Property – market value.

(iv) The change in the net pensions liability is analysed into seven components:

- Current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the revenue accounts of services for which the employees worked.
- Past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Cost of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.
- Interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to Other Operating Expenditure in the Comprehensive Income and Expenditure Statement.

- Expected return on assets – the annual investment return on the fund assets attributable to the Council, based on an average of the expected long term return – credited to Other Operating Expenditure in the Comprehensive Income and Expenditure Statement.
- Gains/losses on settlements and curtailments – the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees – included in the Cost of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.
- Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – included in the Comprehensive Income and Expenditure Statement.
- Contributions paid to the Pension Fund – cash paid as employer's contributions to the pension fund.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

<u>Fire Fighters Pension Scheme</u>

This scheme is also accounted for as a defined benefit scheme. The scheme is operated on a 'pay as you go' basis and as such has no assets. Transfer values included in the Scheme have been accounted for on a cash basis. Other than this the treatment of the scheme in the accounts is as described for the Local Government Pension Scheme above.

<u>Discretionary Benefits</u>

The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff (including teachers) are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

1.11 Events after the Balance Sheet Date

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events.
- those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

1.12 Exceptional Items

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Council's financial performance.

1.13 Financial Instruments

Financial Assets

Financial assets are classified into two types:

- Loans and Receivables – assets that have fixed or determinable payments but are not quoted in an active market.
- Available for Sale Assets – assets that have a quoted market price and/or do not have fixed or determinable payments

Loans and Receivables

Loans and receivables are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Authority has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the relevant service (for receivables specific to that service) or the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

Any gains and losses that arise on the derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Available for Sale Assets

Available-for-sale assets are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (eg dividends) is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the Council.

Assets are maintained in the Balance Sheet at fair value. Values are based on the following principles:

- Instruments with quoted market prices – the market price
- Other instruments with fixed or determinable payments – discounted cash flow analysis
- Equity shares with no quoted market prices – valued at cost

Changes in fair value are balanced by an entry in the Available for Sale Reserve and the gain/loss is recognised in the Surplus or Deficit on Revaluation of Available for Sale Financial Assets. The exception is where impairment losses have been incurred – these are debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any net gain or loss for the asset accumulated in the Available for Sale Reserve.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made (fixed or determinable payments) or fair value falls below cost, the asset is written down and a charge made to the Comprehensive Income and Expenditure Statement.

Any gains and losses that arise on de-recognition of the asset are credited/debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any accumulated gains or losses previously recognised in the Available for Sale Reserve.

Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses).

Instruments entered into before 1 April 2006

The Council entered into a number of financial guarantees that are not required to be accounted for as financial instruments. These guarantees are reflected in the Statement of Accounts to the extent that provisions might be required or a contingent liability note is needed under the policies set out in the policy on Provisions.

Instruments entered into before 8 November 2007

Regulations made by Government under the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008, allow financial guarantees entered into before 8 November 2007 to be accounted for under the 2007 SORP. The Council has adopted this regulation so that its financial guarantees taken out before 8 November 2007 have been accounted for as contingent liabilities.

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For most of the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The Council has a policy of spreading the gain

or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

1.14 Goodwill

Goodwill arises from the acquisition of a controlling interest in various companies within the group accounts. It represents the excess cost of acquisition over the group's interest in the fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less accumulated impairment losses. It is reviewed annually for impairment and any impairment is recognised in the Comprehensive Income and Expenditure Statement.

1.15 Government Grants and Other Contributions

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Council when there is reasonable assurance that:

- the Council will comply with the conditions attached to the payments, and
- the grants or contributions will be received.

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ringfenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

1.16 Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Council as a result of past events (eg software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Authority.

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the Council will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase (research expenditure cannot be capitalised).

Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the Council's goods or services.

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Council can be determined by reference to an active market. In practice, no intangible asset held by the Council meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

1.17 Interests in Companies and Other Entities

The Council has material interests in companies and other entities that have the nature of subsidiaries, associates and joint ventures and require it to prepare group accounts. In the Council's own single entity accounts, the interests in companies and other entities are recorded as financial assets at cost, less any provision for losses.

1.18 Inventories and long term contracts

Inventories are included in the Balance Sheet at the lower of cost and net realisable value. The cost of inventories is assigned using either the lower of cost or net realisable value..

1.19 Investment Property

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm’s-length. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

1.20 Jointly Controlled Operations and Jointly Controlled Assets

Jointly controlled operations are activities undertaken by the Council in conjunction with other venturers that involve the use of the assets and resources of the venturers rather than the establishment of a separate entity. The Council recognises on its Balance Sheet the assets that it controls and the liabilities that it incurs and debits and credits the Comprehensive Income and Expenditure Statement with the expenditure it incurs and the share of income it earns from the activity of the operation.

Jointly controlled assets are items of property, plant or equipment that are jointly controlled by the Council and other venturers, with the assets being used to obtain benefits for the venturers. The joint venture does not involve the establishment of a separate entity. The Council accounts for only its share of the jointly controlled assets, the liabilities and expenses that it incurs on its own behalf or jointly with others in respect of its interest in the joint venture and income that it earns from the venture.

1.21 Landfill Allowance Schemes

Landfill allowances, whether allocated by DEFRA or purchased from another Waste Disposal Authority (WDA) are recognised as current assets and are initially measured at fair value.

Landfill allowances allocated by DEFRA are accounted for as a government grant.

After initial recognition, allowances are measured at the lower of cost and net realisable value. As landfill is used, a liability and an expense are recognised. The liability is discharged either by surrendering allowances or by payment of a cash penalty to DEFRA (or by a combination). The liability is measured at the best estimate of the expenditure required to meet the obligation, normally the market price of the number of allowances required to meet the liability at the reporting date. However, where some of the obligation will be met by paying a cash penalty to DEFRA, that part of its liability is measured at the cost of the penalty.

1.22 Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

The Council as Lessee

Finance Leases

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Authority are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability, and
- a finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the authority at the end of the lease period).

The Council is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (eg there is a rent-free period at the commencement of the lease).

The Council as Lessor

Finance Leases

Where the Council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the Authority's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (ie netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- a charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received), and
- finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement.

When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

The written-off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. These amounts are therefore appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Operating Leases

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (eg there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

1.23 Overheads

Central departments operate within predetermined budgets and generally their costs are not allocated to departments. At the end of the financial year, the costs of the central departments are analysed, in accordance with the principles of the CIPFA Best Value Accounting Code of Practice (BVACOP), to determine what costs should be shared between users of the services, with the exception of:

- Corporate and Democratic Core – costs relating to the Council's status as a multi-functional, democratic organisation.
- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early.

These two cost categories are defined in BVACOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Cost of Services.

1.24 Private Finance Initiative (PFI) Schemes

PFI and similar contracts are agreements to receive services, where the responsibility for making available the property, plant and equipment needed to provide the services passes to the PFI contractor. As the Council is deemed to control the services that are provided under its PFI schemes, and as ownership of the property, plant and equipment will pass to the Council at the end of the contracts for no additional charge, the Council carries the assets used under the contracts on its Balance Sheet as part of Property, Plant and Equipment.

The original recognition of these assets at fair value (based on the cost to purchase the property, plant and equipment) was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment. The Council is involved in three PFI schemes - Norwich Schools, Salt Barns and Street Lighting.

For the Norwich Schools PFI scheme, the liability was written down by an initial capital contribution of £8.2m.

Non current assets recognised on the Balance Sheet are revalued and depreciated in the same way as property, plant and equipment owned by the Council.

The amounts payable to the PFI operators each year are analysed into five elements:

- fair value of the services received during the year – debited to the relevant service in the Comprehensive Income and Expenditure Statement.
- finance cost – an interest charge on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (Norwich Schools PFI 12.4%, Salt Barns PFI 44.34% and Street Lighting PFI 8.56%).
- contingent rent – increases in the amount to be paid for the property arising during the contract, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- payment towards liability – applied to write down the Balance Sheet liability towards the PFI operator (the profile of write-downs is calculated using the same principles as for a finance lease).
- lifecycle replacement costs – proportion of the amounts payable is posted to the Balance Sheet as a prepayment and then recognised as additions to Property, Plant and Equipment when the relevant works are eventually carried out.

1.25 Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

1.26 Property, Plant and Equipment

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Authority and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (ie repairs and maintenance) is charged as an expense when it is incurred.

Measurement

Assets are initially measured at cost, comprising:

- the purchase price
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management

The Council does not capitalise borrowing costs incurred whilst assets are under construction.

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (ie it will not lead to a variation in the cash flows of the Council). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Council.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-Specific Grant Income line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

Assets are then carried in the Balance Sheet using the following measurement bases:

- infrastructure, community assets and assets under construction – depreciated historical cost
- dwellings – fair value, determined using the basis of existing use value for social housing (EUV-SH)
- all other assets – fair value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value.

Where non-property assets that have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for fair value.

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

Where decreases in value are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

<u>Impairment</u>

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)

- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (ie freehold land and certain Community Assets) and assets that are not yet available for use (ie assets under construction).

Deprecation is calculated on the following bases:

- dwellings and other buildings – straight-line allocation over the useful life of the property as estimated by the valuer
- vehicles, plant, furniture and equipment – a percentage of the value of each class of assets in the Balance Sheet, as advised by a suitably qualified officer
- infrastructure – straight-line allocation over 20 to 40 years.

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Disposals and non current assets held for sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previously losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation,

amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (ie netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. Receipts are required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment [or set aside to reduce the Authority's underlying need to borrow (the capital financing requirement)]. Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

The written-off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

1.27 Provisions

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the authority becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (eg from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the authority settles the obligation.

1.28 Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the Council – these reserves are explained in the relevant policies.

1.29 Revenue Expenditure Funded from Capital Under Statute (REFCUS)

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Authority has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.

1.30 VAT

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

2. First time adoption of IFRS

The Statement of Accounts for 2010-11 is the first to be prepared on an IFRS basis. The date of transition to IFRS is 1 April 2009.

The Council's IFRS accounting policies presented in Note 1 have been applied in preparing the financial statements for the year ended 31 March 2011, the comparative information and the opening statement of financial position at the date of transition.

The Council has applied the IFRS 1 First-time Adoption of International Financial Reporting Standards in preparing these first IFRS compliant financial statements, except in cases where interpretations or adaptations to fit the public sector, have been prescribed by the Code of Practice on Local Authority Accounting (The Code). Material differences between amounts presented under the SORP 2009 and the IFRS-based Code are explained below.

- Short term accumulating compensated absences

Short-term accumulating compensated absences refer to benefits that employees receive as part of their contract of employment, entitlement to which is built up as they provide services to the Council. The most significant benefit covered by this heading is holiday pay.

Employees build up an entitlement to paid holidays as they work. Under the Code, the cost of providing holidays and similar benefits is required to be recognised when employees render services that increase their entitlement to future compensated absences. As a result, the Council is required to accrue for any annual leave earned but not taken at 31 March each year. Under the previous accounting arrangements, no such accrual was required.

The government has issued regulations that mean local authorities are only required to fund holiday pay and similar benefits when they are used, rather than when employees earn the benefits. Amounts are transferred to the Accumulated Absences Account until the benefits are used.

Accruing for short-term accumulating compensated absences has resulted in the following changes being made to the 2009-10 financial statements:

	2009-10 Published Statement of Accounts	**Adjustments made**
	£000s	**£000s**
Opening 1 April 2009 Balance Sheet:		
Short term creditors	(137,326)	(14,753)
Accumulated Absences Account	0	14,753

31 March 2010 Balance Sheet:

Short term creditors	(138,864)	(16,157)
Accumulated Absences Account	0	16,157

2009-10 Comprehensive Income and Expenditure Statement (Net)

Adult Social Care	222,408	(11)
Central Services to the Public	1,462	14
Cultural Environmental, Regulatory and Planning Services	89,781	312
Education and Children's Services	255,236	1,186
Fire and Rescue Services	30,767	(32)
Highways and Transport Services	58,067	(70)
Corporate and Democratic Core	4,397	9
Trading Operations and ESPO	99	(4)

- Leases

Under the Code, leases of property are accounted for as separate leases of land and buildings. Previously, each property lease would have been accounted for as a single lease. The change in accounting treatment can result in the land or buildings element of the lease being accounted for as an operating lease where it was previously treated as a finance lease; or as a finance lease where it was previously treated as an operating lease.

For leases entered into after 1st April 2010, where the Council is Lessor, new arrangements will necessitate revenue being accounted for in accordance with the code. However, for existing arrangements prior to that date, where the Council is a Lessor, and where Operating Leases are reclassified to Finance Leases under the Code, statutory guidance permits the amount now recognised as a capital receipt to be retained in the General Fund. Therefore, the Council will report a transfer to the General Fund from the Deferred Capital Receipts Reserve in the Movement In Reserves Statement.

a) Finance Leases – land and buildings (Council is lessee)

The Council has 12 property leases where the accounting treatment has changed following the introduction of the Code. These leases were previously treated as operating leases, but under the Code, the buildings element of the leases has been classified as finance leases. For some of these leases, the land element has also been reclassified as finance leases due to the length of the lease.

As a consequence of classifying the land and/or buildings element of the lease as a finance lease, the financial statements have been amended as follows:

(i) The council has recognised an asset and a finance lease liability.

(ii) The operating lease charge for all of these leases is on a peppercorn basis. The amounts are insignificant and no amendment to service costs has been made.

(iii) A depreciation charge has been included within the various Services.

(iv) The depreciation charge has been transferred from the General Fund to the Capital Adjustment Account, and the General Fund has been charged with the Minimum Revenue Provision (with the credit being made to the Capital Adjustment Account). These transfers are reflected in the balance sheets as at 1 April 2009 and 31 March 2010, and the adjustments that relate to 2009-10 are reported in the Movement in Reserves Statement for the year.

(v) The interest element of the lease payment is insignificant (see note (ii) above) and no amendment has been made to the Financing and Investment income and expenditure line in Surplus or Deficit on the Provision of Services.

b) Finance Leases – land and buildings (Council is lessor)

Under previous accounting arrangements certain leases of land & buildings granted by the Council to third parties were classified as operating leases. These leases are finance leases under the IFRS Code. The effect is to decrease property, plant and equipment at the date of transition by £13.018m and by £20.447m at 31 March 2010. These leases are on a peppercorn rental basis, and as the amounts are insignificant no adjustment to lease debtors has been made. The effect on the CIES for 2009-10 is to decrease depreciation charges by £2.469m. This has been adjusted against Education and Children’s Services (£2.430m); Cultural Environmental, Regulatory and Planning Services (£0.038m) and Adult Social Care (£0.001m).

As the rental payments are small (due to the peppercorn rental), no amendment has been made to service income for the lease receipts previously accounted for as operating leases.

c) Finance Leases – plant and equipment (Council is lessee)

Under previous accounting arrangements certain leases of equipment were classified as operating leases. These leases are finance leases under the IFRS Code. The effect is to increase property, plant and equipment at the date of transition by £3.437m and by £3.760m at 31 March 2010, and to increase Deferred Liabilities by £3.814m at the date of transition. At 31 March 2010 Deferred Liabilities is increased by £2.896m. The effect on the CIES for 2009-10 is to increase depreciation charges by £1.125m, increase 'finance costs' by £0.251m and decrease service expenditure by £1.497m (with the lease repayments previously accounted for as operating leases).

This has resulted in the following changes being made to the 2009-10 financial statements:

	2009-10 Published Statement of Accounts	Adjustments made
	£000s	£000s
Opening 1 April 2009 Balance Sheet:		
Property, plant and equipment (leased assets)	7,632	3,437
Finance lease liability	(9,619)	(3,814)
Capital Adjustment Account	572,465	377
31 March 2010 Balance Sheet:		
Property, plant and equipment (leased assets)	8,361	2,635
Finance lease liability	(9,317)	(2,896)
Capital Adjustment Account	439,833	261

2009-10 Comprehensive Income and Expenditure Statement

Cultural Environmental, Regulatory and Planning Services	89,781	(168)
Education and Children's Services	255,236	(19)
Fire and Rescue Services	30,767	(186)
Financing and investment income and expenditure	64,871	251

- Government Grants

Under the Code, grants and contributions for capital schemes are recognised as income when they become receivable. Previously, grants were held in a grants deferred account and recognised as income over the life of the assets which they were used to fund.

As a result of adopting the accounting policy required by the Code, the financial statements have been amended as follows:

(i) The balance on the Government Grants Deferred Account at 31 March 2009 has been transferred to the Capital Adjustment Account in the opening 1 April 2009 balance sheet.

(ii) Portions of government grants deferred were previously recognised as income in 2009-10; these have been removed from the Comprehensive Income and Expenditure Statement in the comparative figures.

(iii) Grants were received in 2009-10 but not used. Previously, no income was recognised in respect of these grants, which were shown in the Government Grants Deferred Account within the liabilities section of the balance sheet. Following the change in accounting policy, the grants have been recognised in full, and transferred to the Capital Grants Unapplied Account within the reserves section of the balance sheet.

These have resulted in the following changes being made to the 2009-10 financial statements:

	2009-10 Published Statement of Accounts	Adjustments made
	£000s	£000s
Opening 1 April 2009 Balance Sheet:		
Government Grants Deferred Account	(286,194)	286,194
Capital Adjustment Account	572,465	286,194
31 March 2010 Balance Sheet:		
Government Grants Deferred Account	(343,644)	343,644
Grants Unapplied Account (liabilities)	(76,384)	6,028
Capital Adjustment Account	439,833	343,644
Capital Grants Unapplied Account (reserve)	0	(6,028)
2009-10 Comprehensive Income and Expenditure Statement		
Adult Social Care	222,408	4,118
Cultural Environmental, Regulatory and Planning Services	89,781	5,550
Education and Children's Services	255,236	19,999
Fire and Rescue Services	30,767	397
Highways and Transport Services	58,067	2,605
Taxation and non specific grant income	0	(87,595)

3. Accounting Standards issued, not adopted

The Code of Practice on Local Authority Accounting in the United Kingdom 2011-12 (the Code) has introduced a change in accounting policy in relation to the treatment of heritage assets held by the Council, which will need to be adopted fully by the Council in the 2011-12 financial statements.

The Council is required to disclose information relating to the impact of an accounting change on the financial statements as a result of the adoption by the Code of a new standard that has been issued, but is not yet required to be adopted by the Council, in this case heritage assets. As is set out above, full adoption of the standard will be required for the 2011-12 financial statements. However, the Council is required to make disclosure of the estimated effect of the new standard in these (2010-11) financial statements. The new standard will require that a new class of asset, heritage assets, is disclosed separately on the face of the Council's Balance Sheet in the 2011-12 financial statements.

Heritage assets are assets that are held by the authority principally for their contribution to knowledge or culture. The heritage assets held by the Council are primarily the collections of assets and artefacts either exhibited or stored in the Council's museums and by the Norfolk Records Office. In addition, the Council owns a small number of external monuments.

Where valued, heritage assets are currently accounted for either at cost in the case of recent significant recent purchases, or at a nominal value. The remainder of the collections are not currently recognised in the financial statements.

The Code will require that heritage assets are measured at valuation in the 2011-12 financial statements (including 2010-11 comparative information). The Council anticipates that it will be able to recognise its collections on the Balance Sheet using its most recent insurance valuations. Insurance valuations are based generally on market values, or in the case of irreplaceable records, may represent restoration costs.

The carrying value of heritage assets currently held in the Balance Sheet as Community Assets (at cost) within Property, Plant and Equipment at 1 April 2010 is £174,000, which relates to archives and collections purchased by the Records Office.

The Council estimates from its insurance records that the value of the collections and records which are the responsibility of the Council is £54m. As the majority of these assets have not yet been recognised in the Balance Sheet this will require an increase in the Revaluation Reserve, the amount of which will require further analysis to distinguish assets which belong to the Council and those which it holds on behalf of third parties.

There is no depreciation charged on the heritage assets that are currently classified as Community Assets because it has been estimated that the assets have a useful life of such length that any depreciation charge on the asset will be negligible and can be ignored on the basis of materiality. The Council considers that the heritage assets held by the Authority will have indeterminate lives and a high residual value; hence the Authority does not consider it appropriate to charge depreciation for the assets. There will therefore be no change to the depreciation charged in the financial statements in relation to the authority's heritage assets.

4. Critical judgements in applying accounting policies

In applying the accounting policies set out in note 1, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

- There is a high degree of uncertainty about future levels of funding for local government. However, the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision.
- Early in October 2008, the Icelandic banks Landsbanki, Kaupthing Singer and Friedlander Ltd and Glitnir collapsed and the UK subsidiaries of the banks, Heritable and Kaupthing Singer and Friedlander went into administration. The authority had £32.5m deposited across three of these institutions, with varying maturity dates and interest rates. The Council expects to recover 82% of the investment with Kaupthing Singer and Friedlander Ltd. The recovery of investments with Landsbanki and Glitnir are expected to be 94.85% and 100% respectively, based on the Council receiving priority status as agreed in the recent court case. The court case has been appealed to the Icelandic Supreme Court and if as a result of the appeal the Council does not receive priority status the expected repayments are estimated to be 34% for Landsbank and 28% for Glitnir.
- The County Council has received just over 200 equal pay claims and is in ongoing contact with the Trade Unions' lawyers, the Council's legal advisers and the Employment Tribunal to progress them. The claims are not yet at a stage where the specific basis of each claim has been identified by the claimants. The Employment Tribunal has arranged a pre hearing review for September 2011. It will only be possible to quantify the financial risk, with a reliable estimate of the cost, when the cases have progressed further through the legal process. The claims are likely to take some time to resolve and in the event that some of the claims are successful, the County Council has set aside funding in a reserve to meet them. The amount of funding required, to meet any successful claims, will continue to be assessed and reviewed on a regular basis as the claims progress through the legal process.
- The Council is deemed to control the services provided under the three PFI agreements (Norwich Schools, Salt Barns and Street Lighting) and also to control the residual value of the assets at the end of the agreements. The accounting policies for

PFI schemes and similar contracts have been applied to the arrangement and the assets (valued at £59.5m) are recognised as Property, Plant and Equipment on the Council's Balance Sheet.

5. Assumptions made about the future and Other Major Sources of Estimation Uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Council's Balance Sheet at 31 March 2011 for which there is significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets fall. It is estimated that the annual depreciation charge for the buildings would increase by £5.1m for every year that useful lives had to be reduced.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets.	The effect on the net pensions liability of changes in individual assumptions can be measured. For instance a 0.5% decrease in the discount rate assumption would result in a increase in the pension liability of £128.540m. However, the assumptions interact in complex ways. During 2010-11, the Council's actuaries

	Hymans Robertson LLP is engaged to provide the Council with expert advice about the assumptions to be applied.	advised that the net pensions liability had decreased by £435.899m.
Icelandic Bank Investments	The Glitnir Winding-Up Board has expressed the view that local authority deposits do not have priority status. This may also impact on the Landsbanki position. Local authorities' legal advice remains that deposits have priority status under Icelandic law. However decisions on the priority status of local authority deposits will be made by the Icelandic courts. On 1 April 2011, the Icelandic District Court found in favour of UK local authority depositors and ruled that deposits placed by UK local authority depositors have priority status in the winding up of both Landsbanki and Glitnir. The decision has been appealed to the Icelandic Supreme Court which will now determine the creditor status for both Icelandic banks	If the Council does not receive priority status the expected repayments will be for Glitnir 28% between December 2011 and December 2015 and for Landsbanki 34% between December 2011 and December 2018. It is estimated that the expected repayments will reduce by £15.6m.

This list does not include assets and liabilities that are carried at fair value based on a recently observed market price

6. Material Items of Income and Expense

During 2010-11, 7 schools transferred to Academy status. 3 of these schools already had Foundation status and in accordance with note 51 their fixed assets had already been excluded from the Council's balance sheet. The four remaining schools, one Foundation school and one academy school from 2009-10, whose assets were not legally transferred to their Governing Bodies until 2010-11, have now been removed from the Council's balance sheet and are shown as a loss on disposal of non-current assets in note 11. The value written off amounts to £75.448m and is the main reason for the net gain/ loss on disposal of £74.997m.

7. Events after the Balance Sheet Date

The Statement of Accounts was authorised for issue by the Head of Finance on 7 July 2011. Events that occur after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2011, the figures in the financial statements and note have been adjusted in all material respects to reflect the impact of this information.

The financial statements and notes have not been adjusted for the following events which took place after 31 March 2011 as they provide information that is relevant to an understanding of the Council's financial position but do not relate to conditions at that date:

- The Council's 26 Residential Care homes, together with the 913.3 FTE staff, transferred to Norse on 1 April 2011. A reduction of tangible fixed assets with a gross book value of £26.0m at the 31st March 2011 will be made in the 2011-12 financial statements.

8. Impairment of deposits with Icelandic Banks

Early in October 2008, the Icelandic banks Landsbanki, Kaupthing and Glitnir collapsed and the UK subsidiaries of the banks, Heritable and Kaupthing Singer and Friedlander went into administration. The authority had £32.5m deposited across three of these institutions, with varying maturity dates and interest rates as follows.

Investments included in current assets figure in the Balance Sheet include the following investments that have been impaired because of the financial difficulties experienced by Icelandic Banks.

Bank	Date invested	Amount invested	Maturity Date	Interest Rate	Carrying Amount at 31 March 2011	Net Impairment
		£			£	£
Kaupthing Singer and Friedlander						
	18-03-08	5,000,000	17-10-08	5.98%	1,401,435	859,996
	22-11-06	2,500,000	22-11-10	5.38%	714,874	397,434
	22-11-06	2,500,000	22-11-10	5.38%	714,874	397,434

Landsbanki						
	30-10-07	5,000,000	17-10-08	6.15%	4,071,668	928,331
	22-01-08	5,000,000	19-01-09	5.26%	4,107,432	892,569
	27-04-07	5,000,000	27-04-09	5.87%	3,981,971	1,018,029
Glitnir						
	22-01-08	2,500,000	19-11-08	5.34%	2,565,075	(65,075)
	20-03-08	5,000,000	20-03-09	6.00%	5,095,676	(95,677)
Total		32,500,000			22,653,005	4,333,041

The carrying amounts of the investments included in the balance sheet have been calculated using the present value of the expected repayments, discounted using the investment's original interest rate. The carrying amounts for Kaupthing Singer and Friedlander also reflect that at 31 March 2011, £5.514m has been repaid to the County Council.

At 31 March 2010, the Council funded the then net impairment balance of £6.395m from the General Fund. The net impairment amount has reduced to £4.333m at 31 March 2011. The reduced impairment amount of £2.062m is due to a net increase in the estimated recovery and an increase in the present value of the expected repayments. This is reflected in the carrying amount at 31 March 2011 and has been transferred into the Icelandic Banks reserve.

All monies within these institutions are currently subject to the respective administration and receivership processes. The amounts and timing of payments to depositors such as the Council will be determined by the administrators / receivers.

The current situation with regards to recovery of the sums deposited varies between each institution. Based on the latest information available the Council considers that it is appropriate to consider an impairment adjustment for the deposits, and has taken the action outlined below. As the available information is not definitive as to the amounts and timings of payments to be made by the administrators / receivers, it is likely that further adjustments will be made to the accounts in future years.

Kaupthing Singer and Friedlander Ltd

The administrators of Kaupthing Singer and Friedlander Ltd repaid £1.873m (18%) during 2010-11. At 31 March 2011, the administrators have made repayments totalling £5.514m (53%). On 27 May 2011, the administrators paid a further £0.520m representing 5% of the claim. The revised impairment at 31 March 2011 is based on the assumption that a further 29% will be received by the end of 2012-13, taking total dividends expected to be paid to 82%.

Therefore in calculating the impairment the Council has made the following assumptions about the timing of recoveries:

Date	Repayment	Date	Repayment
May 2011	5%	July 2012	8%
January 2012	8%	January 2013	8%

Recoveries are expressed as a percentage of the authority's claim in the administration, which includes interest accrued up to 7 October 2008.

Glitnir Bank and Landsbanki

Glitnir and Landsbanki are Icelandic entities. The impairment for Glitnir and Landsbanki in 2010-11 is based on the assumption that local authority deposits with the bank have priority status, and will therefore be repaid ahead of any creditors that do not have priority status.

The Glitnir Winding-Up Board has expressed the view that local authority deposits do not have priority status. This may also impact on the Landsbanki position. Local authorities' legal advice remains that deposits have priority status under Icelandic law. However decisions on the priority status of local authority deposits will be made by the Icelandic courts. On 1 April 2011, the Icelandic District Court found in favour of UK local authority depositors and ruled that deposits placed by UK local authority depositors have priority status in the winding up of both Landsbanki and Glitnir. The decision has been appealed to the Icelandic Supreme Court which will now determine the creditor status for both Icelandic banks

It is unlikely that the position on priority status will be known until 2011-12 however the impairment for 2010-11 has been calculated on the basis that priority status for Glitnir will be confirmed and a 100% repayment received in 2011-12, and for Landsbanki 94.85% received between December 2011 and December 2018.

Deposits with the Icelandic-domiciled banks were converted to Icelandic Krona on 22 April 2009. Repayments by the banks will be based on the value of the deposit in ISK; the sterling value received by authorities will depend on the prevailing exchange rate, and may therefore be lower than the equivalent value on 22 April 2009.

Therefore in calculating the impairment the Council has made the following assumptions re timing of recoveries:

a) Glitnir: 100% recoverable in December 2011.

b) Landsbanki:

Date	Repayment	Date	Repayment
December 2011	22.17%	December 2015	8.87%
December 2012	8.87%	December 2016	8.87%
December 2013	8.87%	December 2017	8.87%
December 2014	8.87%	December 2018	19.46%

If the Council does not receive priority status the expected repayments will be for Glitnir 28% between December 2011 and December 2015 and for Landsbanki 34% between December 2011 and December 2018.

9. Movement in Reserves Statement - Adjustments between accounting basis and funding basis under regulations

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Council in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure.

2010-11	General Fund	Capital Receipts Reserve	Capital Grants Unapplied Account	Movement in Unusable Reserves
	£000s	£000s	£000s	£000s
Adjustments primarily involving the Capital Adjustment Account:				
Reversal of items debited or credited to the Comprehensive Expenditure and Income Statement:				
Charges for depreciation and impairment of non current assets	66,567			(66,567)
Revaluation losses on property, plant and equipment	36,401			(36,401)
Movements in the market value of investment properties	2,267			(2,267)
Amortisation of intangible assets	4,058			(4,058)
Capital grants and contributions that have been applied to capital financing	(80,534)			80,534
Revenue expenditure funded from capital	20,700			(20,700)
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	79,136			(79,136)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
Statutory provision for the financing of capital investment	(29,048)			29,048
Capital expenditure charged against the General Fund	(8,120)			8,120
Adjustments involving the Capital Receipts Reserve:				
Transfer of sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(4,388)	4,473		(85)
Use of the Capital Receipts reserve to finance new capital expenditure		(4,704)		4,704

2010-11	General Fund	Capital Receipts Reserve	Capital Grants Unapplied Account	Movement in Unusable Reserves
	£000s	£000s	£000s	£000s
Contribution from the Capital Receipts reserve towards administrative costs of non current asset disposals	11	(11)		
Adjustments involving the Deferred Capital Receipts Reserve:				
Transfer from deferred Capital Receipts Reserve upon receipt of cash	594			(594)
Adjustments involving the Capital Grants Unapplied Account:				
Reversal of unapplied capital grants and contributions credited to the Comprehensive Income and Expenditure Statement	(12,180)		12,180	
Application of grants to capital financing			(9,281)	9,281
Adjustments involving the Financial Instruments Adjustment Account:				
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	25			(25)
Adjustments involving the Pensions Reserve:				
Reversal of items relating to post employment benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement (see note 47)	(87,759)			87,759
Employer's pension contributions and direct payments to pensioners payable in the year	(52,805)			52,805

2010-11	General Fund	Capital Receipts Reserve	Capital Grants Unapplied Account	Movement in Unusable Reserves
	£000s	£000s	£000s	£000s
Adjustments involving the Collection Fund Adjustment Account:				
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(1,695)			1,695
Adjustments involving the Accumulating Compensated Absences Adjustment Account:				
Adjustments in relation to short-term compensated absences	(1,593)			1,593
Total Adjustments in 2010-11	**(68,363)**	**(242)**	**2,899**	**65,706**

2009-10	General Fund	Capital Receipts Reserve	Capital Grants Unapplied Account	Movement in Unusable Reserves
	£000s	£000s	£000s	£000s
Adjustments primarily involving the Capital Adjustment Account:				
Reversal of items debited or credited to the Comprehensive Expenditure and Income Statement:				
Charges for depreciation and impairment of non current assets	68,577			(68,577)
Revaluation losses on property, plant and equipment	83,990			(83,990)

2009-10	General Fund	Capital Receipts Reserve	Capital Grants Unapplied Account	Movement in Unusable Reserves
	£000s	£000s	£000s	£000s
Movements in the market value of investment properties	(221)			221
Amortisation of intangible assets	7,743			(7,743)
Capital grants and contributions that have been applied to capital financing	(77,793)			77,793
Revenue expenditure funded from capital	23,018			(23,018)
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	16,144			(16,144)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement				
Statutory provision for the financing of capital investment	(27,964)			27,964
Capital expenditure charged against the General Fund	(9,102)			9,102
Adjustments involving the Capital Receipts Reserve:				
Transfer of sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(4,818)	4,818		
Use of the Capital Receipts reserve to finance new capital expenditure		(3,724)		3,724
Adjustments involving the Deferred Capital Receipts Reserve:				
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(3,699)			3,699
Principal repayment during the year	606			(606)

2009-10	General Fund	Capital Receipts Reserve	Capital Grants Unapplied Account	Movement in Unusable Reserves
	£000s	£000s	£000s	£000s
Adjustments involving the Capital Grants Unapplied Account:				
Reversal of unapplied capital grants and contributions credited to the Comprehensive Income and Expenditure Statement	(9,801)		9,801	
Application of grants to capital financing			(12,338)	12,338
Adjustments involving the Financial Instruments Adjustment Account:				
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(7,888)			7,888
Adjustments involving the Pensions Reserve:				
Reversal of items relating to post employment benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement (see note 47)	69,919			(69,919)
Employer's pension contributions and direct payments to pensioners payable in the year	(49,668)			49,668
Adjustments involving the Collection Fund Adjustment Account:				
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(356)			356
	General	**Capital**	**Capital**	**Movement**

2009-10	Fund	Receipts Reserve	Grants Unapplied Account	in Unusable Reserves
	£000s	£000s	£000s	£000s
Adjustments involving the Accumulating Compensated Absences Adjustment Account:				
Adjustments in relation to short-term compensated absences	1,404			(1,404)
Total Adjustments	**80,091**	**1,094**	**(2,537)**	**(78,648)**

10. Movement in Reserves Statement - Transfers to/from earmarked reserves

This note sets out the amounts set aside in earmarked reserves, including schools reserves, to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet expenditure in 2010-11. Details of each of the earmarked reserves follow the table below.

	Balance at 1 April 2009	Transfers in 2009-10	Transfers out 2009-10	Balance at 31 March 2010	Transfers in 2010-11	Transfers out 2010-11	Balance at 31 March 2011
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
LMS balances	21,897	11,795	(8,236)	25,456	10,634	(2,513)	33,577
Adult Education Income Reserve	300	90	(235)	155	0	0	155
Adult Social Care Legal Liabilities	0	0	0	0	2,560	(60)	2,500
Adult Social Services Residential Review	325	985	0	1,310	3,891	(3,196)	2,005

	Balance at 1 April 2009 £000s	Transfers in 2009-10 £000s	Transfers out 2009-10 £000s	Balance at 31 March 2010 £000s	Transfers in 2010-11 £000s	Transfers out 2010-11 £000s	Balance at 31 March 2011 £000s
Archive Centre Sinking Fund	86	30	0	116	32	0	148
Building Maintenance	2,893	1,757	(2,044)	2,606	2,974	(2,244)	3,336
Capital Funding Reserve	3,846	0	(3,846)	0	0	0	0
Car Leasing Scheme	642	564	(1,086)	120	440	(3)	557
Children's Services Equalisation	0	295	0	295	0	(182)	113
County Strategic Partnership	1,283	2,256	(2,331)	1,208	1,595	(1,474)	1,329
Early Years Loan fund	100	0	(100)	0	0	0	0
Economic Development and Tourism	493	1,672	(583)	1,582	1,442	(1,608)	1,416
ESPO Reserves	887	0	(79)	808	519	0	1,327
European Reserve	60	13	(71)	2	0	(2)	0
Fire Operational Equipment	678	0	0	678	267	0	945
Fire Pensions Reserve	354	53	(26)	381	0	0	381
Fire Retained Turnout Payments	500	0	(376)	124	440	0	564
Highways Maintenance	3,608	4,481	(1,748)	6,341	2,015	(2,390)	5,966
Historic Buildings	139	45	0	184	43	(5)	222
Icelandic Banks	0	2,460	0	2,460	3,062	0	5,522
Industrial Estate Dilapidations	44	27	(61)	10	0	0	10
Information Technology	6,958	4,357	(6,130)	5,185	4,948	(3,355)	6,778
Insurance Reserve	0	0	0	0	750	(152)	598

	Balance at 1 April 2009 £000s	Transfers in 2009-10 £000s	Transfers out 2009-10 £000s	Balance at 31 March 2010 £000s	Transfers in 2010-11 £000s	Transfers out 2010-11 £000s	Balance at 31 March 2011 £000s
Learning Difficulties Change Fund	139	0	(139)	0	0	0	0
Manuscript Reserve	38	0	(38)	0	0	0	0
Modern Reward Strategy	6,210	550	0	6,760	0	(550)	6,210
Museums Income Reserve	104	98	(107)	95	0	(16)	79
Norfolk Guidance Service Income Reserve	279	198	(254)	223	0	(131)	92
Norfolk Infrastructure Fund	0	0	0	0	1,151	0	1,151
Norwich Schools PFI Sinking Fund	9,433	163	0	9,596	7	(7,837)	1,766
Organisational Change and Redundancy Reserve	3,443	1,225	(1,409)	3,259	3,244	(2,880)	3,623
P&T Bus De-registration	20	0	0	20	0	0	20
P&T Demand Responsive Transport	240	0	(96)	144	534	0	678
P&T Depot Decommissioning	17	0	(17)	0	0	0	0
P&T Operations Appropriations	260	0	(260)	0	0	0	0
P&T Park and Ride	132	0	(86)	46	0	(23)	23
Prevention Fund	0	0	0	0	1,578	0	1,578
Public Transport Commuted Sums	40	21	(18)	43	0	(17)	26
Redundancy and Pension	1,074	74	(1,148)	0	0	0	0
Repairs and Renewals Fund	4,665	1,334	(925)	5,074	1,570	(2,004)	4,640

	Balance at 1 April 2009	Transfers in 2009-10	Transfers out 2009-10	Balance at 31 March 2010	Transfers in 2010-11	Transfers out 2010-11	Balance at 31 March 2011
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Re-procurement Strategic Partnership	0	0	0	0	200	0	200
Residual Insurance and Lottery Bid Development	308	108	(41)	375	55	0	430
Road Safety Reserve	0	196	0	196	398	(10)	584
School Sickness Insurance	1,473	0	(248)	1,225	235	0	1,460
Schools Contingency	3,910	503	(2,987)	1,426	4,120	(1,465)	4,081
Schools Non-Teaching Activities	256	567	(553)	270	808	(757)	321
Schools Playing Field Sinking Fund	117	123	0	240	44	0	284
Strategic Ambitions Reserve	2,922	265	(1,711)	1,476	1	(462)	1,015
Street Lighting PFI Sinking Fund	3,799	3,786	(1,406)	6,179	4,285	(2,506)	7,958
Unspent Grants and Contributions	11,905	9,401	(11,469)	9,837	9,037	(7,775)	11,099
Waste Management Partnership	1,119	600	(953)	766	605	(684)	687
TOTAL	**96,996**	**50,092**	**-50,817**	**96,271**	**63,484**	**(44,301)**	**115,454**

Details of earmarked reserves:

LMS Balances
This reserve represents estimated surpluses and deficits against delegated budgets for locally managed schools. These funds are retained for schools in accordance with the LMS arrangements approved by the DfES and are not available to the Council for general use.

Adult Education Income Reserve
The County Council is required to approve a budget for the Adult Education service five to six months in advance of the funding announcement by the Learning Skills Council. In addition, the Learning Skills Council can also impose penalties on the service in the event that targets are not met and these are dependent on results assessed at year end. This reserve enables the Council to manage risks associated with potential changes in Learning Skills Council funding.

Adult Social Care Legal Liabilities
This reserve relates to a legal case by another Council on the ability to charge for certain services. It will be used to smooth future expenditure if the Council cannot charge for these services.

Adult Social Services Residential Review
This reserve has been created from savings arising from the new conditions of services and is to be used developing the homes for the elderly.

Archive Centre Sinking Fund
This reserve is to maintain the Archive Centre in accordance with a lease agreement between the County Council and the University of East Anglia.

Building Maintenance
This reserve is to ensure that the capital value of the Council's building stock is maintained and facilitates the rolling programme of building maintenance. It also allows NPS Property Consultants Ltd to respond to emergencies by carrying out repairs from day to day and as the need arises. Provision is made annually in the Revenue Budget for contributions to this fund and any under or over spending on the fund is carried forward to the next financial year.

Capital Funding Reserve
This reserve has been created as a result of funding decisions for the 2004-05 and 2005-06 capital programmes and has been fully utilised during 2009-10.

Car Leasing Scheme
This is the accumulated trading surplus on the car leasing scheme.

Children Service's Equalisation
To fund the variance in the number of Home to School/College Transport and School Catering days in a financial year as a result of the varying dates of Easter holidays.

County Strategic Partnership
This reserve reflects monies that have been generated from Council Tax on second homes and in accordance with the decision of the Norfolk Local Government Association is earmarked for strategic initiatives identified by the County Strategic Partnership.

Early Years Loan Fund
A fund has been created to provide ‘revolving’ loans to develop childcare provision and has been fully utilised during 2009-10.

Economic Development and Tourism
This is set aside monies for specific schemes and for the promotion of tourism. Provision is made annually in the Revenue Budget for contributions to this fund and any under or over spending on the fund is carried forward to the next financial year.

ESPO Reserves
This balance represents the County Council share of reserves included in the ESPO accounts. The reserves comprise ESPO General Balances

European Reserve

This is to facilitate the development of European funding applications within the County Council.

Fire Operational Equipment Reserve
This reserve is to meet variable demands for new operational equipment and personal protective equipment that arise from larger incidents and higher than expected turnouts.

Fire Pensions Reserve
This reserve is to smooth higher than anticipated costs due in respect of ill health retirements, injury retirements and retained fire fighters who qualify for the Whole Time Uniformed scheme.

Fire Retained Turnout Payments Reserve
This reserve is to meet the variable demand on Retained Turnout costs. These costs vary from year to year. Unfavourable weather conditions can result in an increase in the number of turnouts above that assumed in the budget.

Highways Maintenance
This reserve enables a wide range of maintenance schemes to be undertaken. The balance mainly relates to commuted sums to meet future liabilities. These sums are paid by developers to cover the additional maintenance work arising from their developments. An annual amount is transferred to the works budget. The reserve is also used to carry forward balances on the Highways Maintenance Fund. Provision is made annually in the Revenue Budget for contributions to this fund and any under or over spending on the fund is carried forward to the next financial year. Expenditure is largely dependent on the severity of the winter. The reserve also reflects monies from decriminalised car parking arrangements and charging utility companies, which will be used in future years.

Historic Buildings
This is used to buy and restore historic buildings at risk of being demolished and to make grants towards the restoration of buildings.

Icelandic Banks
This is to provide for potential additional Icelandic Bank losses should the status of local authority deposits not be given priority creditor status by the Icelandic courts.

Industrial Estate Dilapidations
This is to cover potential dilapidation costs that may be incurred as a result of the expiration of the North Walsham industrial estate headlease in 2009.

Information Technology
Monies are set aside for specific IT projects.

Insurance Reserve
This reserve reflects monies set aside for future potential insurance liabilities that are in excess of those provided for in the Insurance Provision.

Learning Difficulties Change Fund
This reserve has been created as a result of partnership working with the Primary Care Trusts in Norfolk. It will be used to manage one off costs associated with changes to the hosting of Norfolk PCT learning difficulties services and has been fully utilised during 2009-10.

Manuscript Reserve
This is to fund the cost of manuscripts that may become available and has been fully utilised during 2009-10.

Modern Reward Strategy Reserve
This reserve is set aside to meet any successful equal pay claims.

Museums Income Reserve
This reserve is to assist with the budget management of fluctuations in income from visitors due to unpredictable seasonal variations. In years of unfavourable weather conditions, visitor numbers can decrease which would result in a Service overspend.

Norfolk Guidance Service Income Reserve
This reserve is to assist with the budget management of changes to contracts. Some of these contracts operate on a different financial year to the County Council.

Norfolk Infrastructure Fund
This reserve is to support infrastructure projects across the county.

Norwich Schools PFI Sinking Fund
This reserve has been created as a result of the Norwich Schools PFI scheme and reflects receipt of government PFI grant and schools contributions which will be needed in future financial years to meet contract payments.

Organisational Change and Redundancy Reserve
This reserve was created to provide one-off funding to support and invest in transformational change e.g. shared services, which the Council faces from 2010 onwards. During 2009-10 the balance of the Redundancy and Pension Reserve was combined with the Organisational Change reserve to meet the costs of the Council's Organisational Review. This reserve has been renamed accordingly.

P&T Bus Deregistration
This is funding to meet costs associated with the commercial deregistration of bus services.

P&T Demand Responsive Transport Reserve
This reserve is to enable pump priming of demand responsive transport services as changes are made in supporting public transport by increasing public transport patronage rather than directly subsidising transport operators.

P&T Depot Decommissioning
This is funding set aside for works required on old depots prior to sale and has been fully utilised during 2009-10.

P&T Operations Appropriation
This is the balance of previous year's trading accounts and is likely to be used up on the purchase of plant and equipment and has been fully utilised during 2009-10.

P&T Park and Ride
The reserve is for future site works.

Prevention Fund
This reserve is to support future investment in prevention.

Public Transport Commuted Sums
This includes a commuted sum from Developers to cover new bus routes and lump sums received from the Government for improvements to bus services. An annual amount is transferred to the revenue budget.

Redundancy and Pension
This reserve was created to meet redundancy and pension costs associated with restructuring the Council's services. During 2009-10, this reserve has been combined with the Organisational Change Reserve and renamed as the Organisational Change and Redundancy Reserve.

Repairs and Renewals Fund
This fund is to meet the cost of purchasing and repairing specific equipment.

Re-procurement Strategic Partnership
This reserve is to support the start of a major project in 2011-12 for the re-procurement of highways services, which may involve a joint venture.

Residual Insurance and Lottery Bid Development
When a cash settlement was agreed with our insurers in respect of the library fire the proceeds were paid into an earmarked reserve. Subsequent costs have been funded from this source, and outstanding costs for buildings and books have been transferred to earmarked reserves. A few issues remain outstanding (e.g. Records conservation).

Road Safety Reserve
This reserve reflects the surplus resulting from Speed Awareness Courses run by the council on behalf of the Police, to be reinvested within Road Safety

Schools Contingency
Part of the School's LMS budget, this fund is used to reimburse schools for unforeseen and special circumstances.

Schools Non-Teaching Activities
This reserve reflects trading surpluses of schools sports centre activities, as per section 458(1) of the Education Act 1996.

Schools Playing Field Sinking Fund
This reserve is to maintain and replace the astro turf playing surface schools in accordance with a lease agreement between the schools' governing body and the County Council.

Schools Sickness Insurance
This reserve is a mutual insurance scheme operated on behalf of schools.

Strategic Ambitions Reserve

Previously known as the Invest to Save reserve, this reserve is to be used to deliver the Council's aspirations for Norfolk and therefore, in line with this objective has recently been renamed the Strategic Ambitions Reserve.

Street Lighting PFI Sinking Fund
This reserve has been created as a result of the Street Lighting PFI scheme and reflects receipt of government PFI grant which will be needed in future financial years to meet contract payments.

Unspent Grants and Contributions Reserve
This reserve contains the balances on the Council's unconditional grants and contributions.

Waste Management Partnership
This reserve is for waste management initiatives.

11. Comprehensive Income and Expenditure Statement: Other Operating Expenditure

The following items of income and expense have been accounted for in the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement:

	County Council		Group	
	2009-10 (Restated) £000s	2010-11 £000s	2009-10 (Restated) £000s	2010-11 £000s
Environment Agency precept	588	692	588	692
Eastern Sea Fisheries precept	499	512	499	512
Gains/losses on disposal of non current assets	7,868	74,997	7,868	74,997
Appropriation for share of ESPO	(331)	(572)	(331)	(572)
Total	**8,624**	**75,629**	**8,624**	**75,629**

12. Comprehensive Income and Expenditure Statement: Financing and Investment Income and Expenditure

The following items of income and expense have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement:

	County Council		Group	
	2009-10 (Restated) £000s	2010-11 £000s	2009-10 (Restated) £000s	2010-11 £000s
Interest payable and similar charges	34,503	33,130	35,004	33,609
Pensions interest cost and expected return on pension assets	37,295	30,689	39,746	32,341
Interest receivable and similar income	(6,643)	(3,802)	(6,716)	(3,885)
Gains on trading accounts not included in the cost of services (note 30)	(216)	(305)	(216)	(305)
Total	**64,939**	**59,712**	**67,818**	**61,760**

13. Comprehensive Income and Expenditure Statement: Taxation and Non-Specific Grant Income

The following items of income have been accounted for in the Taxation and Non-Specific Grant Income line in the Comprehensive Income and Expenditure Statement:

	County Council		Group	
	2009-10 (Restated) £000s	2010-11 £000s	2009-10 (Restated) £000s	2010-11 £000s
Council tax income (note 31)	333,992	342,683	333,992	342,683
Non domestic rates	183,862	208,042	183,862	208,042
Non ring fenced government grants	82,425	81,270	82,425	81,270
Capital grants and contributions	87,593	92,714	87,593	92,714
Total	**687,872**	**724,709**	**687,872**	**724,709**

14. Property, Plant and Equipment

Movements in 2010-11 on Council assets:

	Land and buildings £000s	Vehicles, plant, and equipment £000s	Infrastructure £000s	Community assets £000s	Assets under construction £000s	Surplus assets £000s	Total Property, Plant and Equipment £000s	PFI Assets included in Property, Plant and Equipment £000s
<u>Cost or Valuation</u>								
At 1 April 2010	1,048,881	94,488	588,287	174	52,744	4,693	1,789,267	52,472
Additions	77,019	13,669	64,195	0	(15,511)	1,128	140,500	9,870
Revaluation increases/(decreases):								
- to Revaluation reserve	21,831	0	0	0	0	(804)	21,027	(788)
- to surplus or deficit on provision of services	(38,563)	0	0	0	0	(177)	(38,740)	(820)
Derecognition - disposals	(74,340)	(2,491)	0	0	(3,669)	0	(80,500)	0
Assets reclassified (to)/from Held for Sale	0	0	0	0	0	(1,092)	(1,092)	0
Reclassifications and transfers	(1,712)	(12,174)	0	0	0	1,954	(11,932)	0
At 31 March 2011	1,033,116	93,492	652,482	174	33,564	5,702	1,818,530	60,734

Accumulated Depreciation and Impairment								
At 1 April 2010	23,707	52,499	112,154	0	0	29	188,389	640
Depreciation charge	19,144	12,271	17,533	0	0	197	49,145	555
Depreciation written out to Revaluation reserve	(1,315)	0	0	0	0	(765)	(2,080)	0
Depreciation written out on revaluation to surplus or deficit on provision of services	(2,210)	0	0	0	0	(15)	(2,225)	0
Impairment losses/(reversals) recognised in:								0
- the Revaluation reserve	1,845	0	0	0	0	0	1,845	0
- the surplus or deficit on provision of services	17,312	0	0	0	0	0	17,312	0
Derecognition - disposals	(553)	(1,333)	0	0	0	0	(1,886)	0
Reclassifications and transfers	(759)	(12,132)	0	0	0	756	(12,135)	0
At 31 March 2011	57,171	51,305	129,687	0	0	202	238,365	1,195
Net Book Value:								
At 31 March 2011	**975,945**	**42,187**	**522,795**	**174**	**33,564**	**5,500**	**1,580,165**	**59,539**
At 31 March 2010	1,025,174	41,989	476,133	174	52,744	4,664	1,600,878	51,832

Movements in 2009-10 on Council assets:

	Land and buildings £000s	Vehicles, plant, and equipment £000s	Infrastructure £000s	Community assets £000s	Assets under construction £000s	Surplus assets £000s	Total Property, Plant and Equipment £000s	PFI Assets included in Property, Plant and Equipment £000s
<u>Cost or Valuation</u>								
At 1 April 2009	1,139,248	98,929	528,256	0	37,596	1,474	1,805,503	0
Additions	56,008	15,349	60,031	0	16,933	500	148,821	75,738
Assets reclassified (to)/from Held for Sale	(215)	0	0	0	0	(101)	(316)	0
Revaluation increases/(decreases):								
- to Revaluation reserve	(6,186)	0	0	0	0	(5)	(6,191)	2,030
- to surplus or deficit on provision of services	(123,749)	0	0	0	0	(193)	(123,942)	(25,296)
Derecognition - disposals	(7,982)	(1,634)	0	0	0	0	(9,616)	0
Reclassifications and transfers	(8,243)	(18,156)	0	174	(1,785)	3,018	(24,992)	0
At 31 March 2010	1,048,881	94,488	588,287	174	52,744	4,693	1,789,267	52,472

Accumulated Depreciation and Impairment								
At 1 April 2009	30,792	59,007	95,872	0	0	0	185,671	0
Depreciation charge	21,090	12,863	16,282	0	0	19	50,254	640
Depreciation written out to Revaluation reserve	(5,873)	0	0	0	0	(11)	(5,884)	0
Depreciation written out to surplus or deficit on provision of services	(21,607)	0	0	0	0	0	(21,607)	0
Impairment losses/(reversals) recognised in the surplus or deficit on provision of services	(18)	0	0	0	0	0	(18)	0
Derecognition - disposals	(552)	(1,254)	0	0	0	0	(1,806)	0
Reclassifications and transfers	(125)	(18,117)	0	0	0	21	(18,221)	0
At 31 March 2010	23,707	52,499	112,154	0	0	29	188,389	640
Net Book Value:								
At 31 March 2010	**1,025,174**	**41,989**	**476,133**	**174**	**52,744**	**4,664**	**1,600,878**	**51,832**
At 31 March 2009	1,108,456	39,922	432,384	0	37,596	1,474	1,619,832	0

Movements in 2010-11 on Group assets:

	Land and buildings £000s	Vehicles, plant, and equipment £000s	Infrastructure £000s	Community assets £000s	Assets under construction £000s	Surplus assets £000s	Total Property, Plant and Equipment £000s	PFI Assets included in Property, Plant and Equipment £000s
<u>Cost or Valuation</u>								
At 1 April 2010	1,071,618	117,182	588,287	174	53,041	4,693	1,834,995	52,472
Additions	77,304	17,007	64,195	0	(12,768)	1,128	146,866	9,870
Revaluation increases/(decreases):								
- to Revaluation reserve	21,831	0	0	0	0	(804)	21,027	(788)
- to surplus or deficit on provision of services	(38,563)	0	0	0	0	(177)	(38,740)	(820)
Derecognition - disposals	(74,410)	(4,354)	0	0	(3,669)	0	(82,433)	0
Assets reclassified (to)/from Held for Sale	0	0	0	0	0	(1,092)	(1,092)	0
Reclassifications and transfers	(1,561)	(12,325)	0	0	0	1,954	(11,932)	0
At 31 March 2011	1,056,219	117,510	652,482	174	36,604	5,702	1,868,691	60,734

<u>Accumulated Depreciation and Impairment</u>								
At 1 April 2010	32,007	67,831	112,154	0	0	29	212,021	640
Depreciation charge	20,161	15,292	17,533	0	0	197	53,183	555
Depreciation written out to Revaluation reserve	(1,315)	0	0	0	0	(765)	(2,080)	0
Depreciation written out on revaluation to surplus or deficit on provision of services	(2,210)	0	0	0	0	(15)	(2,225)	0
Impairment losses/(reversals) recognised in:								
- the Revaluation reserve	1,845	0	0	0	0	0	1,845	0
- the surplus or deficit on provision of services	17,312	0	0	0	0	0	17,312	0
Derecognition - disposals	(553)	(3,077)	0	0	0	0	(3,630)	0
Reclassifications and transfers	(756)	(12,135)	0	0	0	756	(12,135)	0
At 31 March 2011	66,491	67,911	129,687	0	0	202	264,291	1,195
Net Book Value:								
At 31 March 2011	**989,728**	**49,599**	**522,795**	**174**	**36,604**	**5,500**	**1,604,400**	**59,539**
At 31 March 2010	1,039,611	49,351	476,133	174	53,041	4,664	1,622,974	51,832

Movements in 2009-10 on Group assets:

	Land and buildings £000s	Vehicles, plant, and equipment £000s	Infrastructure £000s	Community assets £000s	Assets under construction £000s	Surplus assets £000s	Total Property, Plant and Equipment £000s	PFI Assets included in Property, Plant and Equipment £000s
<u>Cost or Valuation</u>								
At 1 April 2009	1,157,539	121,631	528,256	0	37,699	1,474	1,846,599	0
Additions	61,099	17,400	60,031	0	17,230	500	156,260	75,738
Assets reclassified (to)/from Held for Sale	(215)	0	0	0	0	(101)	(316)	0
Revaluation increases/(decreases):								
- to Revaluation reserve	(6,186)	0	0	0	0	(5)	(6,191)	2,030
- to surplus or deficit on provision of services	(123,749)	0	0	0	0	(193)	(123,942)	(25,296)
Derecognition - disposals	(8,708)	(3,805)	0	0	0	0	(12,513)	0
Reclassifications and transfers	(8,162)	(18,044)	0	174	(1,888)	3,018	(24,902)	0
At 31 March 2010	1,071,618	117,182	588,287	174	53,041	4,693	1,834,995	52,472

<u>Accumulated Depreciation and Impairment</u>								
At 1 April 2009	38,321	73,287	95,872	0	0	0	207,480	0
Depreciation charge	21,927	15,812	16,282	0	0	19	54,040	640
Depreciation written out to Revaluation reserve	(5,873)	0	0	0	0	(11)	(5,884)	0
Depreciation written out to surplus or deficit on provision of services	(21,607)	0	0	0	0	0	(21,607)	0
Impairment losses/(reversals) recognised in the surplus or deficit on provision of services	(18)	0	0	0	0	0	(18)	0
Derecognition - disposals	(618)	(3,151)	0	0	0	0	(3,769)	0
Reclassifications and transfers	(125)	(18,117)	0	0	0	21	(18,221)	0
At 31 March 2010	32,007	67,831	112,154	0	0	29	212,021	640
Net Book Value:								
At 31 March 2010	**1,039,611**	**49,351**	**476,133**	**174**	**53,041**	**4,664**	**1,622,974**	**51,832**
At 31 March 2009	1,119,218	48,344	432,384	0	37,699	1,474	1,639,119	0

Depreciation

Depreciation is provided for on all fixed assets with a finite useful life. No depreciation is charged on land and other assets are being depreciated over their useful economic lives, or in the case of assets acquired under finance leases, over the period of the lease using the straight line method.

The following useful lives and depreciation rates have been used in the calculation of depreciation:

Buildings	5 - 60 years
Vehicles, plant, furniture and equipment	3 - 20 years
Infrastructure	20 - 40 years

Depreciation for assets acquired or disposed of during the year is calculated on a pro rata basis from the date of acquisition or disposal. This charge is for accounting purposes only and has no implications for the County Council's Council Tax. The total depreciation charged to services for the year was £m (£48.767m in 2009-10).

Capital commitments:

The Council's approved capital programme, revised for additional external funding totals £236.715m in the years 2011-12 to 2013-14 and beyond. Of this total £87.372m relates to the estimated future payments on schemes started before 31 March 2011.

The following table shows details of the significant contracts already entered into for these schemes and the payments due in the years 2011-12 to 2013-14 and beyond.

The revised programme in 2009-10 totalled £408.449m in the years 2010-11 to 2012-13 and beyond. Of this total, £162.873m related to the estimated future payments on schemes started before 31 March 2010

Service/Scheme	**Purpose**	**Contract Completion**	**£000s**
Education and Children's Services			
City Academy	New academy	2012-13	18,829
North Walsham Phoenix project *	New extensions and refurbishment of the school hall	2011-12	2,612
Woodside Community hub	New community hub	2011-12	1,022
Little Plumstead VA Primary School	New school	2011-12	2,579

Fire Services			
Carrow Fire station	New fire station	2011-12	1,070
Purchase of operational fire vehicles**	New fire vehicles	2012-13	2,850

*The Phoenix project is for a youth and community building which will include a music studio, dance studio, crèche, café, food technology suite and an outdoor amphitheatre. The project also includes the refurbishment of the existing school hall to provide theatre space.

** The scheme includes delivery of six vehicles during 2011-12 with the remaining six due for delivery in 2012-13. The costs are expected to be evenly spread over the two years.

Revaluations:

The Council carries out a rolling programme that ensures that all its property, plant and equipment required to be measured at fair value is revalued at least every five years. All valuations are carried out by NPS Property Consultants Ltd, a subsidiary of Norse Group Limited which is owned by the Council. ESPO undertakes an annual revaluation programme to ensure that the value of the premises at Grove Park, Enderby is correctly measured at fair value. Valuations of land and buildings for the Council and ESPO were carried out in accordance with the methodologies and bases for estimation set out in professional standards of the Royal Institution of Chartered Surveyors. Valuations of the Councils vehicles, plant and equipment are based on current prices where there is an active second hand market or latest list prices adjusted for the condition of the asset.

The significant assumptions applied in estimating the fair values are:

- Property, Plant and Equipment

Operational properties of a specialised nature were valued on the basis of what it would cost to reinstate the service, suitably adjusted to reflect for age, wear and tear and obsolescence of the existing asset (Fair Value less depreciated replacement cost).

Operational properties of a non-specialised nature have been valued at existing use value.

Surplus property, plant and equipment have been valued at existing use value, with the use being defined as the property's last operational use

- Infrastructure Assets, Community Assets and Assets under Construction

These have been valued at historic cost rather than fair value

- Leases

Property leases have been split between finance and operating leases and valued accordingly depending upon whether the Council is lessor or lessee.

- Assets held for Sale

These have been valued on the basis of market value with the value reported being the estimated sale price.

The following table shows the progress of the Council's rolling programme for the revaluation of fixed assets.

Valued at:	**Land and Buildings**	**Vehicles, plant and equipment**	**Infrastructure Assets**	**Community Assets**	**Surplus assets**
	£000s	**£000s**	**£000s**	**£000s**	**£000s**
Carried at Historical Cost	0	42,187	522,795	174	0
Valued at current value in:					
2010-11	424,267	0	0	0	1,452
2009-10	433,637	0	0	0	2,835
2008-09	49,737	0	0	0	561
2007-08	61,385	0	0	0	652
2006-07	6,919	0	0	0	0
Total	**975,945**	**42,187**	**522,795**	**174**	**5,500**

15. Investment Property

The following items of income and expense have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement:

	2009-10 (Restated) £000s	2010-11 £000s
Rental income from investment property	588	571
Direct operating expenses arising from investment property	(30)	(19)
Net gain/(loss)	558	552

A significant proportion of the value of investment properties are represented by agricultural land with development potential and an industrial estate.

The expenses relate to energy costs in respect of investment properties apart from the industrial estate where income is received net of direct operating expenses. Other operating expenses in respect of investment properties are not recorded separately.

There are no inherent restrictions on the sale of the land, but its ownership is related to long term objectives. The Airport Industrial Estate is jointly owned by Norfolk County Council and Norwich City Council. Accordingly, any decision to realise the value in this property would be taken jointly.

Of the other investment properties, there are no legal restrictions in relation to realising their value, but many are closely linked to the day to day activities of the Council and its schools, and as such the value in these properties is not immediately realisable.

The Council's obligation to repair, maintain or enhance its investment properties is commensurate with being a landlord having a variety of tenancy agreements in respect of those properties.

The following table summarises the movement in the fair value of investment properties over the year:

	2009-10 (Restated) £000s	2010-11 £000s
Balance at the start of the year	**38,740**	**32,099**
Additions	0	0
Disposals	(5,739)	(257)
Net gains/losses from fair value investments	221	(2,267)
Transfers (to)/from Property, plant and equipment	0	7
Other changes	(1,123)	0
Balance at the end of the year	**32,099**	**29,582**

16. Intangible Assets

The Council accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of property, plant and equipment. The intangible assets include both purchased licenses and software, all given a finite useful life, based on assessments of the period that the software is expected to be of use to the Council.

Software licences are held for the Council's finance system, a Corporate Asset Management system and the Council's share of licences held by ESPO. The costs are being written off over five years.

The software relates to:

(a) Upgrading the IT infrastructure for schools including Broadband Internet Connection.

(b) The Council's Payroll system (IHRIS).

(c) Modern Social Care system, used by Adults and Children's Social Services.

The carrying amount of intangible assets is amortised on a straight line basis. The amortisation of £4,058 charged to revenue in 2010-11 was charged to Education and Children's services, Adult Social Care and Cultural, Environmental, Regulatory and Planning services in the Cost of Services.

The movement on the Council balances during the year:

	Total at 31 March 2010 (Restated)	**Total at 31 March 2011**
	£000s	**£000s**
Balance at the start of the year:		
- Gross carrying amounts	36,212	37,936
- Accumulated amortisation	(17,820)	(25,563)
Net carrying amount at the start of the year	**18,392**	**12,373**
Additions (purchases)	1,724	17
Amortisation for the period	(7,743)	(4,058)
Net carrying amount at the end of the year	**12,373**	**8,332**
Comprising:		
- Gross carrying amounts	37,936	37,953
- Accumulated amortisation	(25,563)	(29,621)
	12,373	**8,332**

The goodwill in the Group Balance Sheet relates to the acquisition of companies by the NORSE Group Ltd. Other intangible assets also include computer software and other intangible assets from the Norse accounts, which are being written off over a period of 3 to10 years.

The movement on the Group balances during the year:

	2009-10 (Restated)			2010-11		
	Other Intangible Assets	Goodwill	Total at 31 March 2010	Other Intangible Assets	Goodwill	Total at 31 March 2011
	£000s	£000s	£000s	£000s	£000s	£000s
Balance at the start of the year:						
- Gross carrying amounts	38,045	3,820	**41,865**	41,543	4,475	**46,018**
- Accumulated amortisation	(19,048)	(257)	**(19,305)**	(27,331)	(257)	**(27,588)**
Net carrying amount at the start of the year	**18,997**	**3,563**	**22,560**	14,212	4,218	**18,430**
Additions:						
Purchases	2,397	0	**2,397**	124	0	**124**
Acquired through business combinations	1,101	670	**1,771**	0	0	**0**
Disposals	0	(15)	**(15)**	0	0	**0**
Amortisation for the period	(8,283)	0	**(8,283)**	(4,579)	(129)	**(4,708)**
Net carrying amount at the end of the year	14,212	4,218	**18,430**	9,757	4,089	**13,846**
Comprising:						
- Gross carrying amounts	41,543	4,475	**46,018**	41,667	4,475	**46,142**
- Accumulated amortisation	(27,331)	(257)	**(27,588)**	(31,910)	(386)	**(32,296)**
	14,212	4,218	**18,430**	9,757	4,089	**13,846**

17. Financial Instruments

The following categories of financial instruments are carried in the Council's Balance Sheet:

	Long Term		Current	
	31 March 2010 (Restated)	31 March 2011	31 March 2010 (Restated)	31 March 2011
	£000s	£000s	£000s	£000s
Investments				
Loans and receivables (principal amount)	0	0	42,351	61,965
Plus accrued interest	0	0	1,666	953
Available for sale financial assets	1,238	1,238	0	0
Icelandic Bank Investments	21,215	9,735	1,248	12,918
Plus other accounting adjustments	0		0	0
Total Investments	**22,453**	**10,973**	**45,265**	**75,836**
Debtors				
Loans and receivables	9,041	8,805	67,094	63,776
Soft Loans (legal charges on property)	2,174	2,359	0	349
Financial assets carried at contract amounts				
Total Debtors	**11,215**	**11,164**	**67,094**	**64,125**
Borrowings				
Financial liabilities at amortised cost:				
Principal amount	535,781	527,151	10,297	8,727
Plus accrued interest (all short term)	0	0	7,106	7,001
Plus other accounting adjustments	2,514	2,484	0	0
Total Borrowings	**538,295**	**529,635**	**17,403**	**15,728**

	Long Term		Current	
	31 March 2010 (Restated)	31 March 2011	31 March 2010 (Restated)	31 March 2011
	£000s	£000s	£000s	£000s
Other Long Term Liabilities				
PFI and finance lease liabilities	45,968	55,058	3,801	3,614
Total Other Long Term Liabilities	**45,968**	**55,058**	**3,801**	**3,614**
Creditors				
Financial liabilities at amortised cost	1,958	1,794	145,035	135,132
Total Creditors	**1,958**	**1,794**	**145,035**	**135,132**

The available for sale assets are the Council's investment in Norwich Airport (£1.236m) and £0.002m in two other companies associated with the Airport - Legislator 1656 and Legislator 1657. Available for sale assets in the table above specifically excludes the Council's investment of £11.963m in Norse Group Ltd as the company is included in the Council's Group Accounts. None of the companies are quoted on the stock exchange, the share holdings on the balance sheet are shown at cost in line with the Council's accounting policy.

The total shown for the Icelandic Bank investments is the principal amount invested of £32.500m adjusted for accrued interest of £5.370m (£4.050m in 2009-10) less impairment of £9.703m (£10.445m in 2009-10) and payments received to date of £5.514m (£3.641m in 2009-10). Based on the current information and advice available, it is anticipated that £12.918m of the impaired total will be received during 2011-12 and this has therefore been included in short term investments.

The debtors total in the table above does not include the debtor for council tax of £11.016m (£9.400m in 2009-10) as this is not a financial instrument.

The soft loans represent the total of deferred payment agreements where residential care clients have exercised their option to defer payment for services received by agreeing to a legal charge on property they own. The total above includes an interest element based on the average rate of interest payable on the Council's debt for the year (5.25%).

Income, Expense, Gains and Losses – County Council

	2009-10 (Restated) Financial Liabilities measured at amortised cost £000s	Financial Assets: Loans and Receivables £000s	Financial Assets: Available for Sale £000s	Total £000s	2010-11 Financial Liabilities measured at amortised cost £000s	Financial Assets: Loans and Receivables £000s	Financial Assets: Available for Sale £000s	Total £000s
Interest expense	34,133	0	0	34,133	33,872	0	0	33,872
Impairment on (Iceland Banks)	0	918	0	918	0	(742)	0	(742)
Discount received on debt restructuring	(548)	0	0	(548)	0	0	0	0
Total expense in Surplus/Deficit on the Provision of Services	33,585	918	0	34,503	33,872	(742)	0	33,130
Interest Income	0	(4,760)	0	(4,760)	0	(2,482)	0	(2,482)
Interest income accrued on impaired financial assets	0	(1,883)	0	(1,883)	0	(1,320)	0	(1,320)
Total income in Surplus/Deficit on the Provision of Services	0	(6,643)	0	(6,643)	0	(3,802)	0	(3,802)
Net gain/(loss) for the year	33,585	(5,725)	0	27,860	33,872	(4,544)	0	29,328

Income, Expense, Gains and Losses – Group

	2009-10 (Restated) Financial Liabilities measured at amortised cost	2009-10 (Restated) Financial Assets: Loans and Receivables	2009-10 (Restated) Financial Assets: Available for Sale	2009-10 (Restated) Total	2010-11 Financial Liabilities measured at amortised cost	2010-11 Financial Assets: Loans and Receivables	2010-11 Financial Assets: Available for Sale	2010-11 Total
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Interest expense	34,634	0	0	34,634	34,351	0	0	34,351
Impairment on (Iceland Banks)	0	918	0	918	0	(742)	0	(742)
Discount received on debt restructuring	(548)	0	0	(548)	0	0	0	0
Total expense in Surplus/Deficit on the Provision of Services	34,086	918	0	35,004	34,351	(742)	0	33,609
Interest Income	0	(4,833)	0	(4,833)	0	(2,565)	0	(2,565)
Interest income accrued on impaired financial assets	0	(1,883)	0	(1,883)	0	(1,320)	0	(1,320)
Total income in Surplus/Deficit on the Provision of Services	0	(6,716)	0	(6,716)	0	(3,885)	0	(3,885)
Net gain/(loss) for the year	34,086	(5,798)	0	28,288	34,351	(4,627)	0	29,724

Fair Values of Assets and Liabilities

Financial liabilities, financial assets represented by loans and receivables and long term debtors and creditors are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:

- for loans from the PWLB and other loans payable, premature repayment rates from the PWLB have been applied to provide the fair value under PWLB debt redemption procedures;
- for loans receivable prevailing benchmark market rates have been used to provide the fair value;
- No early repayment or impairment is recognised;
- Where an instrument will mature in the next 12 months, carrying amount is assumed to approximate to fair value;
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values are calculated are as follows:

	County Council				Group			
	31 March 2010 (Restated)		31 March 2011		31 March 2010 (Restated)		31 March 2011	
	Carrying amount £000s	Fair value £000s	Carrying amount £000s	Fair value £000s	Carrying amount £000s	Fair value £000s	Carrying amount £000s	Fair value £000s
Financial Liabilities	605,467	695,028	604,035	708,707				
Long term Creditors	1,958	1,958	1,794	1,794	2,835	2,835	3,348	3,348

The fair value of the financial liabilities is greater than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the rates available for similar loans in the market at the balance sheet date.

The fair values for financial liabilities have been determined by reference to the Public Works Loans Board (PWLB) redemption rules and prevailing PWLB redemption rates as at each balance sheet date. The fair value for non-PWLB debt has also been calculated using the same procedures and interest rates and this provides a sound approximation for fair value for these instruments.

	County Council				Group			
	31 March 2010 (Restated)		31 March 2011		31 March 2010 (Restated)		31 March 2011	
	Carrying amount £000s	Fair value £000s	Carrying amount £000s	Fair value £000s	Carrying amount £000s	Fair value £000s	Carrying amount £000s	Fair value £000s
Loans and receivables	67,718	67,718	86,809	86,809	64,718	64,718	83,809	83,809
Debtors	78,309	78,309	75,289	75,289	99,121	99,121	103,748	103,748

The available for sale assets are the Council's investment in Norwich Airport and the Airport Legislator companies and are shown at cost in line with the Council's accounting policy. This is taken to be an approximation of fair value.

Short term debtors and creditors are carried at cost as this is a fair approximation of their value.

18. Inventories

The table provides details of inventories included in current assets on the balance sheet.

Consumable Stores	Council		Group	
	2009-10 (Restated) £000s	2010-11 £000s	2009-10 (Restated) £000s	2010-11 £000s
Balance outstanding at start of year	2,706	2,722	4,905	4,702
Purchased	7,896	10,246	18,661	21,160
Recognised as an expense in year	(7,662)	(10,314)	(18,646)	(21,330)
Written off balances	(218)	(229)	(218)	(229)
Reversals of write offs in previous years	0	0	0	0
Balance outstanding at year end	**2,722**	**2,425**	**4,702**	**4,303**

19. Debtors

These are people and organisations that owe money to the Council at the end of the year. Short term debt is money expected to be paid within 12 months of the balance sheet date. Money due after this period is accounted for as long term. The Council tax debtor total includes the adjustment for the Council's share of collection fund arrears and bad debt provision, as advised by the District Councils, in relation to the collection of council tax. Further detail about this is shown in note 31 on page 145. The total for other entities and individuals includes prepayments and an adjustment for impairment (allowance for bad/doubtful debts).

	Long Term Debtors			Short Term Debtors		
	31 March 2009 (Restated) £000s	**31 March 2010 (Restated) £000s**	**31 March 2011 £000s**	**31 March 2009 (Restated) £000s**	**31 March 2010 (Restated) £000s**	**31 March 2011 £000s**
Central Government bodies	0	0	0	15,886	13,596	10,534
Other local authorities	1,652	1,495	1,338	4,060	3,539	5,102
NHS bodies	0	0	0	3,174	2,887	5,569
Public Corporations and Trading Funds	0	0	0	0	19	36
Residential care debt secured by legal charge	2,766	4,302	4,780	0	0	0
Finance lease debtors	0	25	0	0	595	25
NORSE Group Ltd	2,711	4,984	4,826	0	0	0
Employee car loans	121	171	182	0	0	0
Eastern Sea Fisheries	178	156	0	0	0	0
Prepayments	0	0	0	18,033	10,723	12,800
Council Tax	0	0	0	8,714	9,400	11,016
Other entities and individuals	126	82	38	33,254	38,287	31,937
Bad debt provision	0	0	0	(1,293)	(2,552)	(1,878)
Norfolk County Council	**7,554**	**11,215**	**11,164**	**81,828**	**76,494**	**75,141**
Norse Group Ltd	0	0		29,737	30,444	38,345
Less intra group debtors	(2,711)	(4,984)	(4,826)	(3,349)	(4,648)	(5,060)
Group Total	**4,843**	**6,231**	**6,338**	**108,216**	**102,290**	**108,426**

20. Cash and Cash Equivalents

The balance of cash and cash equivalents is made up of the following elements:

	31 March 2009 (Restated) £000s	31 March 2010 (Restated) £000s	31 March 2011 £000s
Cash and Bank balances	16,827	18,990	8,430
Short term deposits with the Money Market	117,911	113,050	70,900
Total Cash and Cash Equivalents	**134,738**	**132,040**	**79,330**
Norse Group Ltd cash and bank balances	3,955	4,239	2,322
Total Group Cash and Cash Equivalents	**138,693**	**136,279**	**81,652**
Norse Group Ltd bank overdraft	(896)	(1,359)	(1,404)
Net Group Cash Total	**137,797**	**134,920**	**80,248**

21. Assets Held for Sale

This table shows details of Assets Held for Sale in the balance sheet:

	Current		Non Current	
	2009-10 (Restated) £000s	2010-11 £000s	2009-10 (Restated) £000s	2010-11 £000s
Balance outstanding at start of year	**1,005**	**97**	**0**	**0**
Assets newly classified as held for sale:				
• Property plant and equipment	316	1,092	0	0
Revaluation losses	(50)	0	0	0

Assets sold	(1,174)	(266)	0	0
Transfers from current to non current		(1)	0	1
Balance outstanding at year end	**97**	**922**	**0**	**1**

22. Creditors

The table provides details of creditors included in current liabilities on the balance sheet. The Council tax figure is the Council's share of the creditor balances, as advised by the District Councils, in relation to the collection of council tax. Further detail about this is shown in note 31 on page 145.

	Long term Creditors			Short term Creditors		
	31 March 2009 (Restated) £000s	**31 March 2010 (Restated) £000s**	**31 March 2011 £000s**	**31 March 2009 (Restated) £000s**	**31 March 2010 (Restated) £000s**	**31 March 2011 £000s**
Central Government bodies	0	0	0	18,162	21,017	17,642
Other local authorities	2,176	1,958	1,794	2,429	3,140	3,040
NHS bodies	0	0	0	1,201	1,387	1,485
Public Corporations and Trading Funds	0	0	0	0	0	116
Receipts in advance	0	0	0	4,700	3,735	11,322
Council Tax	0	0	0	4,866	5,196	5,117
Other entities and individuals	0	0	0	108,585	110,560	96,410
Norfolk County Council	**2,176**	**1,958**	**1,794**	**139,943**	**145,035**	**135,132**
NORSE Group Ltd	1,538	5,861	6,380	33,091	32,527	39,735
Less intra group Creditors	(2,711)	(4,984)	(4,826)	(7,349)	(7,648)	(7,902)
Group Total	**1,003**	**2,835**	**3,348**	**165,685**	**169,914**	**166,965**

23. Provisions

The County Council has made a number of provisions to set aside sums to meet liabilities that are likely or certain to be incurred but where the amount or timing of the payments is not known. Details of these provisions are as follows:

The Council	Balance at 31 March 2010 (Restated)	Additional provisions made in 2010-11	Amounts used in 2010-11	Unused amounts reversed in 2010-11	Balance at 31 March 2011
	£000s	£000s	£000s	£000s	£000s
Children's Services Provision for Holiday Pay	31	0	(9)	0	22
EU Regulations-Retained Fire Fighters	600	0	0	0	600
Insurance	8,634	5,869	(3,930)	0	10,573
Modern Reward Strategy	21,964	0	(21,964)	0	0
Potential pension liability	1,270	0	0	0	1,270
Redundancy	696	5,440	(696)	0	5,440
Norfolk County Council	**33,195**	**11,309**	**-26,599**	**0**	**17,905**
Consists of:					
Current Provisions	23,377	6171	(23,377)	0	6,171
Long Term Provisions	9,818	5,138	(3,222)	0	11,734
Total	**33,195**	**11,309**	**(26,599)**	**0**	**17,905**

Group	Balance at 31 March 2010	Additional provisions made in 2010-11	Amounts used in 2010-11	Unused amounts reversed in 2010-11	Balance at 31 March 2011
	£000s	£000s	£000s	£000s	£000s
Council provisions detailed above	33,195	11,309	(26,599)	0	17,905
Norse provisions					
Restoration and environmental management	97		(7)		90
Group Total	**33,292**	**11,309**	**(26,606)**	**0**	**17,995**
Consists of:					
Current Provisions	23,377	6,171	(23,377)	0	6,171
Long Term Provisions	9,915	5,138	(3,229)	0	11,824
Total	**33,292**	**11,309**	**(26,606)**	**0**	**17,995**

Children's Services Provision for Holiday Pay

This provision is to fund the reimbursement of former County Council employees frozen holiday pay, where the employee is now employed by Norse Commercial Services Ltd. Payment is made to the employee at the time of their retirement, the majority of which is anticipated to take place over the next ten years.

EU Regulations-Retained Fire Fighters

In December 2000 the Fire Brigades Union (FBU) lodged cases on behalf of their Retained Duty System members under the Part-Time Workers Regulations claiming specifically that their members had been treated less favourably than full time colleagues in relation to pension scheme membership, sick pay and acting up payments.

Insurance

This is used to meet insurance claims funded by the Council. From 1 April 1992 to 31 March 1994 the County Council self funded the first £100,000 of each and every employers and public liabilities insurance claims. This self insurance provision was then extended to include the first £250,000 of each and every liability, motor and property claim and is currently funded to meet all known claims that are due to be paid by the Council beneath this level. The provision includes claims that have been incurred but not reported (IBNR) to the Council.

Modern Reward Strategy

The County Council signed a Local Agreement with the Unions in November 2009 on revised pay scales and conditions of employment. These have been implemented and are effective from 1st April 2010. Employees, whose pay grade increased as a result of the Local Agreement and meet agreed criteria, are entitled to a compensation payment for the period 1st April 2007 to 31 March 2010. The County Council set aside funding in this provision to meet these compensation payments, which were all made during the year.

Potential Pensions Liability

This was created to meet the potential pensions liability arising from the transfer of staff to the Norfolk and Waveney Mental Health NHS Foundation Trust.

Redundancy

This is to meet the costs for individuals who have been made redundant prior to the end of the financial year, but will not leave the Council until the following financial year.

Site Restoration and Environmental Management (Norse Group Ltd)

Site restoration provision relates to operations at the Mayton Wood Compost facility. An obligation under the group's planning permission for the operation is to restore the site to a pre-approved restoration plan following cessation of operations in December 2011. The cost of this restoration is estimated to be £90,000 (£97,000 in 2009-10)

24. Balance Sheet: Usable Reserves

Movements in the Council's usable reserves are detailed in the Movement on Reserves Statement and in notes 9 and 10.

25. Balance Sheet: Unusable Reserves

	31 March 2010 (Restated) £000s	31 March 2011 £000s
Revaluation Reserve	129,383	144,811
Capital Adjustment Account	852,259	788,435
Financial Instruments Adjustment Account	(2,639)	(2,664)
Collection Fund Adjustment Account	4,204	5,899
Pensions Reserve	(947,641)	(511,742)
Deferred Capital Receipt	4,273	3,630
Accumulating Absences Account	(16,157)	(14,564)
Total for the Council	**23,682**	**413,805**
Norse Group Ltd (Revaluation Reserve)	457	649
Total for Group	**24,139**	**414,454**

Revaluation Reserve

This reserve contains the gains made by the Council arising from increases in the value of its Property, Plant and Equipment and Intangible Assets. The balance is reduced when assets with accumulated gains are:

- Revalued downwards or impaired and the gains are lost;
- Used in the provision of services and the gains are consumed through depreciation, or

- Disposed of and the gains are realised.

The reserve contains only revaluation gains accumulated since April 2007, the date that the reserve was created. Accumulated gains arising before that date are consolidated in the balance on the Capital Adjustment Account.

	2009-10 (Restated) £000s	2010-11 £000s
Balance at 1 April	**134,735**	**129,383**
Upward revaluation of assets	28,300	55,128
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(28,657)	(33,865)
(Surplus) or deficit on revaluation of non current assets posted to the Comprehensive Income and Expenditure Statement	(357)	21,263
Difference between fair value depreciation and historical cost depreciation	(713)	(815)
Accumulated gains on assets sold or scrapped (written off to Capital Adjustment Account	(4,282)	(5,020)
	(4,995)	(5,835)
Balance at 31 March	**129,383**	**144,811**

Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non current assets and for financing the acquisition, construction or enhancement of those assets under statutory

provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amount set aside by the Council as finance for the costs of acquisition, construction and enhancement.

The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Council. It also contains revaluation gains accumulated on property, plant and equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

Note 9 provides details of the source of all transactions posted to the Account, apart from those involving the Revaluation Reserve.

	2009-10 (Restated) £000s	2010-11 £000s
Balance at 1 April	**921,819**	**852,259**
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
• Charges for depreciation and impairment of non current assets	(68,579)	(66,567)
• Revaluation losses on property, plant and equipment	(83,990)	(36,401)
• Amortisation of intangible assets	(7,743)	(4,058)
• Revenue expenditure funded from capital under statute	(23,018)	(20,700)
• Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement (note x)	(16,128)	(79,136)
	(199,458)	(206,862)
Adjusting amounts written out of the Revaluation Reserve	4,979	5,835
Net written out amount of the cost of non current assets consumed in the year	(194,479)	(201,027)
Capital financing applied in the year:		
• Use of the Capital Receipts Reserve to finance new capital expenditure	3,724	4,704
• Capital grants and contributions credited to the Comprehensive Income and	77,795	80,534

Expenditure Statement that have been applied to capital financing		
• Application of grants to capital financing from the Capital Grants Unapplied Account	12,338	9,281
• Statutory provision for the financing of capital investment charged against the General Fund	27,964	29,048
• Capital expenditure charged against the General Fund	9,102	8,120
	130,923	131,687
Movements in the market value of investment properties debited or credited to the Comprehensive Income and Expenditure Statement	221	(2,267)
Other Adjustments	(6,225)	7,783
Balance at 31 March	**852,259**	**788,435**

Financial Instruments Adjustment Account

This account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions. The Council uses the account to manage discounts received on the early redemption of loans. Discounts are credited to the Comprehensive Income and Expenditure Statement when they are incurred, but reversed out of the General Fund Balance to the Account in the Movement in Reserves Statement. Over time, the discount is posted back to the General Fund Balance in accordance with statutory arrangements for spreading the burden on council tax. In the Council's case, this period is ten years from the date of repayment, which was May 2009. As a result the balance on the Account at 31 March 2011 will be charged to the General Fund on a straight line basis until May 2019.

	2009-10 (Restated) £000s	**2010-11 £000s**
Balance at 1 April	**(10,527)**	**(2,639)**
Discounts incurred in the year and charged to the Comprehensive Income and	500	(55)

Expenditure Statement		
Proportion of discounts incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	0	0
Impairment of Investments with Icelandic Banks	7,360	0
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	28	30
Balance at 31 March	**(2,639)**	**(2,664)**

Collection Fund Adjustment Account

This account manages the differences arising from the recognition of council tax income in the Comprehensive Income and Expenditure Statement as it falls due from council tax payers compared with the statutory arrangements for paying across amounts to the General Fund from the District Council's Collection Funds.

	2009-10 (Restated) £000s	2010-11 £000s
Balance at 1 April	**3,848**	**4,204**
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	356	1,695
Balance at 31 March	**4,204**	**5,899**

Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post employment benefits in the

Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements are designed to ensure that funding will have been set aside by the time the benefits come to be paid.

	2009-10 (Restated) £000s	2010-11 £000s
Balance at 1 April	**(472,055)**	**(947,641)**
Actuarial gains or losses on pensions assets and liabilities	(455,335)	295,335
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(69,919)	87,759
Employers pensions contributions and direct payments to pensioners payable in the year	49,668	52,805
Balance at 31 March	**(947,641)**	**(511,742)**

Deferred Capital Receipts Reserve

This account holds the gains recognised on the disposal of non current assets but for which cash settlement has yet to take place. Under statutory arrangements, the Council does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

The balance reflects the loan made to Norse Commercial Services Ltd, a member of Norse Group Ltd., as part funding of the acquisition of property purchased from the Council in 2009-10. The loan is being repaid over 30 years and the instalments of

£0.077m due to be paid in the next 12 months (£0.643m in 2009-10) are included in the debtor total in current assets. The remaining balance of £3.533m (£3.630m in 2009-10) is included in the long term debtor total.

	2009-10 (Restated) £000s	2010-11 £000s
Balance at 1 April	**1,226**	**4,273**
Loan during the year	3,653	0
Instalments paid during the year	(606)	(643)
Balance at 31 March	**4,273**	**3,630**

Accumulating Absences Account

This account absorbs the differences that would otherwise arise on the General Fund balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund balance is neutralised by transfers to or from the account.

	2009-10 (Restated) £000s	2010-11 £000s
Balance at 1 April	**(14,753)**	**(16,157)**
Settlement or cancellation of accrual made at the end of the preceding year	14,753	16,157
Amounts accrued at the end of the current year	(16,157)	(14,564)
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(1,404)	1,593
Balance at 31 March	**(16,157)**	**(14,564)**

26. Cash Flow Statement - Operating Activities

The net cash flows from operating activities include the following items:

	County Council		Group	
	2009-10 £000s	2010-11 £000s	2009-10 £000s	2010-11 £000s
Interest received	(13,133)	(6,420)	(13,206)	(6,503)
Interest paid	35,168	34,007	35,669	34,486

27. Cash Flow Statement - Investing Activities

The net cash flows from the investing activities include the following items:

	County Council		Group	
	2009-10 £000s	2010-11 £000s	2009-10 £000s	2010-11 £000s
Purchase of property, plant and equipment, investment property and intangible assets	133,306	115,828	141,336	122,301
Purchase of short term and long term investments	0	17,741	0	17,741
Other payments for investing activities	0	0	630	14
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(5,391)	(4,104)	(6,129)	(4,165)
Proceeds from short term and long term investments	(63,527)	0	(63,527)	0
Other receipts from investing activities	(98,546)	(88,876)	(98,546)	(88,876)
Net cash flows from investing activities	**(34,158)**	**40,589**	**(26,236)**	**47,015**

28. Cash Flow Statement - Financing Activities

The net cash flows from the financing activities include the following items:

	County Council		Group	
	2009-10 £000s	2010-11 £000s	2009-10 £000s	2010-11 £000s
Cash receipts of short term and long term borrowing	0	0	324	0
Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	8,958	8,982	9,962	9,868
Repayments of short term and long term borrowing	59,380	10,200	59,380	10,391
Other payments for financing activities	356	1,695	356	1,695
Net cash flows from financing activities	**68,694**	**20,877**	**70,022**	**21,954**

29. Amounts reported for Resource Allocation Decisions

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Account is that specified by the Best Value Accounting Code of Practice (BVACOP). However, decisions about resource allocation are taken by the Council's Cabinet on the basis of budget reports analysed across Cabinet portfolios. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- The cost of retirement benefits is based on cash flows (payment of employer's pension contributions) rather than current service cost of benefits accrued in the year;
- Expenditure on central support services is budgeted for centrally and not charged to portfolios.

The income and expenditure of the Council's principal portfolios recorded in the budget reports for the year is as follows:

Portfolio Income and Expenditure for 2010-11

	Children's Services	Community Services	Environment, Transport and Development	Fire and Rescue Services	Corporate Resources	Total
Fees, Charges & Service Income	(604,477)	(187,506)	(106,109)	(3,600)	(274,005)	(1,175,697)
Government Grants	(594,974)	(14,704)	(5,576)	(21)	(51,081)	(666,356)
Total Income	**(1,199,451)**	**(202,210)**	**(111,685)**	**(3,621)**	**(325,086)**	**(1,842,053)**
Employee Expenses	497,378	105,690	40,263	24,222	41,797	709,350
Other Service Expenses	385,583	338,764	164,313	10,399	257,082	1,156,141
Support Service Recharges	515,863	17,921	18,125	1	3,419	555,329
Total Expenditure	**1,398,824**	**462,375**	**222,701**	**34,622**	**302,298**	**2,420,820**
Net Expenditure	**199,373**	**260,165**	**111,016**	**31,001**	**(22,788)**	**578,767**

Portfolio Income and Expenditure: Comparative totals for 2009-10

	Children's Services	Community Services	Environment, Transport and Development	Fire and Rescue Services	Corporate Resources	Total
Fees, Charges & Service Income	(620,112)	(174,898)	(142,786)	(3,557)	(131,839)	(1,073,192)
Government Grants	(558,090)	(28,117)	(3,584)	(2)	(40,462)	(630,255)
Total Income	**(1,178,202)**	**(203,015)**	**(146,370)**	**(3,559)**	**(172,301)**	**(1,703,447)**
Employee Expenses	505,273	106,175	42,140	24,496	28,907	706,991
Other Service Expenses	385,152	318,961	207,836	10,404	99,372	1,021,725
Support Service Recharges	508,716	16,627	3,349	6	5,417	534,115
Total Expenditure	**1,399,141**	**441,763**	**253,325**	**34,906**	**133,696**	**2,262,831**
Net Expenditure	**220,939**	**238,748**	**106,955**	**31,347**	**(38,605)**	**559,384**

Reconciliation of Portfolio Income and Expenditure to Net Cost of Services in the Comprehensive Income and Expenditure Statement

	2009-10 £000s	2010-11 £000s
Net expenditure in portfolio analysis	559,384	578,767
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the analysis	194,154	(13,263)
Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	(58,965)	(64,157)
Cost of Services in Comprehensive Income and Expenditure Statement	694,573	501,347

Reconciliation to Subjective Analysis

This reconciliation shows how the figures in the analysis of portfolio income and expenditure relate to a subjective analysis of the Surplus or Deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement.

2010-11	Portfolio Analysis	Not reported to Management	Not included in I&E Account	Allocation of Recharges	Cost of Services	Corporate Amounts	Total
Fees, charges & service income	(1,175,697)	0	898,981	(12,241)	(288,957)	(305)	(289,262)
Surplus or deficit on associates/joint ventures	0	0	0	0	0	(572)	(572)
Interest & investment income	0	0	0	0	0	(3,802)	(3,802)
Income from council tax	0	0	0	0	0	(342,683)	(342,683)
Government grants & contributions	(666,356)	0	51,060	0	(615,296)	(382,026)	(997,322)
Total Income	**(1,842,053)**	**0**	**950,041**	**(12,241)**	**(904,253)**	**(729,388)**	**(1,633,641)**

Employee expenses	709,350	(120,039)	(52,805)	12,241	548,747	30,689	579,436
Other service expenses	1,156,141	0	(961,393)	0	194,748	0	194,748
Support service recharges	555,329	0	0	0	555,329	0	555,329
Depreciation, amortisation & impairment	0	106,776	0	0	106,776	0	106,776
Interest payments	0	0	0	0	0	33,130	33,130
Precepts & Levies	0	0	0	0	0	1,204	1,204
Gain or loss on disposal of fixed assets	0	0	0	0	0	74,997	74,997
Total expenditure	**2,420,820**	**(13,263)**	**(1,014,198)**	**12,241**	**1,405,600**	**140,020**	**1,545,620**
Surplus or Deficit on the Provision of Services	**578,767**	**(13,263)**	**(64,157)**	**0**	**501,347**	**(589,368)**	**(88,021)**

2009-10 comparative figures	**Portfolio Analysis**	**Not reported to Management**	**Not included in I&E Account**	**Allocation of Recharges**	**Net Cost of Services**	**Corporate Amounts**	**Total**
Fees, charges & other service income	(1,073,192)	0	778,392	(18,426)	(313,226)	(216)	(313,442)
Surplus or deficit on associates/joint ventures	0	0	0	0	0	(331)	(331)
Interest & investment income	0	0	0	0	0	(6,643)	(6,643)
Income from council tax	0	0	0	0	0	(333,992)	(333,992)
Government grants & contributions	(630,255)	0	39,987	0	(590,268)	(353,880)	(944,148)
Total Income	**(1,703,447)**	**0**	**818,379**	**(18,426)**	**(903,494)**	**(695,062)**	**(1,598,556)**

Employee expenses	706,991	34,031	(49,668)	18,426	709,780	37,295	747,075
Other service expenses	1,021,725	0	(827,676)	0	194,049	0	194,049
Support service recharges	534,115	0	0	0	534,115	0	534,115
Depreciation, amortisation & impairment	0	160,123	0	0	160,123	0	160,123
Interest payments	0	0	0	0	0	34,503	34,503
Precepts & Levies	0	0	0	0	0	1,087	1,087
Gain or loss on disposal of fixed assets	0	0	0	0	0	7,868	7,868
Total expenditure	**2,262,831**	**194,154**	**(877,344)**	**18,426**	**1,598,067**	**80,753**	**1,678,820**
Surplus or Deficit on the Provision of Services	**559,384**	**194,154**	**(58,965)**	**0**	**694,573**	**(614,309)**	**80,264**

30. Trading Operations

The Council has established a number of trading operations where the service manager is required to operate in a commercial environment and balance their budget by generating income from other parts of the authority or other organisations. Details of those units with a turnover greater than £1.5m are shown below. The figures for each trading operation reflect adjustments, where appropriate, for pension adjustments in accordance with our accounting policy.

Trading Operations are incorporated into the Comprehensive Income and Expenditure Statement. P&T Operations and Norfolk Learning Difficulties Service (NLDS) are an integral part of one of the Council's services to the public. Legal Services is a support service to the Council's services to the public and their expenditure is recharged to various service headings in the Continuing Operations section of the Statement. Only the net surplus of Legal Services is shown in Finance and Investment Income and Expenditure (see note 0).

		2009-10 £000s	2010-11 £000s
Included in Highways and Transport Services:			
P&T Operations: operates as an in-house facility for the provision of construction, repair, routine and winter maintenance facilities for Norfolk highways, on behalf of the Council.	Turnover	28,195	33,112
	Expenditure	27,631	31,134
	Surplus	(564)	(1,978)
Included in Adult Social Care:			
The Norfolk Learning Difficulties Service (NLDS) Provider: provides health and social care services for people with learning difficulties.	Turnover	87,720	95,642
	Expenditure	89,230	93,507
	Surplus	1,510	(2,135)
Included in Financing and Investment Income and Expenditure Legal Services: advises on the legal aspects of all the County Council's work and provides legal representation to the County Council in a range of Courts and Tribunals. The unit also provides a legal service to a small number of outside bodies.	Turnover	4,672	5,831
	Expenditure	4,456	5,526
	Surplus	(216)	(305)
Net (surplus)/deficit on trading operations		730	(4,418)

31. Council Tax Income

In Norfolk, council tax due to the County Council is collected by the seven District Councils. The monies paid over to the County Council include council tax income due for the year adjusted for surpluses and deficits on the collection fund relating to the previous year in accordance with Government legislation. The Code requires the Council to accrue for its share of the Collection Fund surplus (or deficit) for all of the District Councils relating to the current year. The difference between the accrued total and the amount paid under regulation is adjusted in the Movement on Reserves Statement.

	2009-10			2010-11		
	Precept received in year	Adjustment for accrued amount	Total included in Income and Expenditure Account	Precept received in year	Adjustment for accrued amount	Total included in Income and Expenditure Account
	£000s	£000s	£000s	£000s	£000s	£000s
Breckland District Council	47,596	440	48,036	47,729	990	48,719
Broadland District Council	50,507	33	50,540	51,651	133	51,784
Great Yarmouth Borough Council	35,129	92	35,221	35,985	8	35,993
Kings Lynn and West Norfolk Borough Council	57,512	327	57,839	59,937	(771)	59,166
Norwich City Council	45,906	40	45,946	46,554	236	46,790
North Norfolk District Council	46,298	(136)	46,162	47,339	(5)	47,334
South Norfolk District Council	50,688	(440)	50,248	51,793	1,104	52,897
Total	**333,636**	**356**	**333,992**	**340,988**	**1,695**	**342,683**

The Council is also required to include its share of council tax debtor balances (adjusted for an allowance for doubtful debts) and its share of council tax creditor balances. Details of the adjustments, relating to the seven District Council's collection funds, included in the Council's balance sheet are shown in the table below.

	31 March 2010 £000s	31 March 2011 £000s
Council tax arrears	12,062	12,399
Allowance for doubtful debts	(3,900)	(5,453)
Cash (Debtor)	1,238	4,070
Net Council tax debtor total	9,400	11,016
Council tax overpayments and prepayments	(5,196)	(5,117)
Collection fund deficit	(4,204)	(5,899)

32. Agency Services

The County Council administers money on behalf of the Primary Care Trusts under Section 28 agreements. For 2010-11 the expenditure, which is not included in the Comprehensive Income and Expenditure Statement, amounts to £14.967m (£11.895m in 2009-10).

33. Joint Committees

The Council is a member of three Joint Committees – Eastern Shires Purchasing Organisation (ESPO), Norfolk Museums and Archaeology, and Records. The County Council accounts include all of the Council's revenue transactions, assets and liabilities relating to the Museums and Records Committees. The Council is a member, along with six other local authorities, of ESPO. The Council's accounts include payments made to ESPO and have been adjusted for its share of ESPO transactions and assets and liabilities calculated as a proportion of the Council's share of ESPO's turnover. For 2010-11, this equates to 22.4% (22.00% in 2009-10). Further information on each of the Joint Committees can be found in their own Statement of Accounts.

34. Pooled Funds

Norfolk County Council is a partner in four pooled funds. Details of each are as follows:

- Norfolk Learning Difficulties Pooled Fund

  From the 1 April 2002, Norfolk County Council and the Norfolk Primary Care Trusts entered into an agreement to provide a learning difficulties service in Norfolk. Norfolk County Council provides financial management for the Pooled Fund.

	2009-10 £000s	2010-11 £000s
Gross Income	(94,690)	(99,521)
Expenditure	93,704	96,824
(Surplus)/Deficit	**(986)**	**(2,697)**
Council's Contribution	51,473	54,014

The County Council and Primary Care Trusts have agreed that the surplus/deficit is to be allocated to the Partners in proportion to their contributions.

- Norfolk Pharmaceutical and Medicines Management Pooled Fund

  From the 1 September 2003, Norfolk County Council and the Norfolk Primary Care Trusts entered into an agreement to provide a pharmaceutical and medicines management service in Norfolk. Norfolk County Council provides financial management for the Pooled Fund.

	2009-10 £000s	2010-11 £000s
Gross Income	(296)	(295)
Expenditure	229	253
(Surplus)/Deficit	**(67)**	**(42)**
Council's Contribution	65	57

The County Council and Primary Care Trusts have agreed that the surplus/deficit is to be carried forward and not returned to the Partners.

- Mental Health Pooled Fund

  From the 1 November 2008, Norfolk County Council and the Norfolk and Waveney Mental Health Partnership NHS Foundation Trust entered into an agreement to provide further integration of the mental health service for adults of a working age by enabling the Trust to exercise on behalf of the Council, the Council's functions in conjunction with the exercise by the Trust of its NHS functions under the terms of this agreement. The Norfolk and Waveney Mental Health Partnership NHS Foundation Trust provides financial management for the Pooled Fund.

	2009-10	**2010-11**
	£000s	**£000s**
Gross Income	(4,217)	(4,486)
Expenditure	4,185	4,572
(Surplus)/Deficit	**(32)**	**86**
Council's Contribution	4,217	4,486

The agreement with Norfolk and Waveney Mental Health Foundation Trust is that the annual sum paid to the Trust will not vary in the event of an overspend or underspend by the Trust in a financial year. The 2010-11 overspend will be carried forward by the Trust.

- Occupational Therapy Pooled Fund

  From the 1 July 2002, Norfolk County Council and Great Yarmouth and Waveney Primary Care Trust entered into an agreement to provide an integrated occupational therapy service in Great Yarmouth. Great Yarmouth and Waveney Primary Care Trust provides financial management for the Pooled Fund.

	2009-10	**2010-11**
	£000s	**£000s**
Gross Income	(553)	557
Expenditure	553	557
(Surplus)/Deficit	**0**	**0**
Council's Contribution	259	259

35. Members Allowances

The total amount of members allowances paid in the year was £1.104m (£1.117m in 2009-10).

36. Officers Remuneration

(i) Council's senior employees:

Remuneration is deemed to include:

- Gross pay (before the deduction of employees' pension contributions)
- The performance award is paid one year in arrears. During 2010-11 the Council ceased to operate a performance award scheme for its senior officers.
- Expense allowances chargeable to tax and other benefits (as declared on HM Revenue & Customs form P11D).
- Compensation for loss of office and any other payments receivable on termination of employment

Figures in the table have been rounded to the nearest hundred pounds.

Position & Postholder		Salary	Performance Award	Expenses Allowance	Compensation for loss of office	Sub Total	Employer Pension contributions	Total
Chief Executive	2010-11	205,400	12,300	0	0	217,700	39,200	256,900
(D White)	2009-10	206,000	18,900	0	0	224,900	38,800	263,700
Director of Children's Services	2010-11	139,500	8,400	1,100	0	149,000	26,600	175,600
(L Christensen)	2009-10	137,700	11,300	700	0	149,700	25,700	175,400
Director of Corporate Resources & Cultural Services **	2010-11	127,700	5,800	0	82,600	216,100	24,000	240,100

Position & Postholder		Salary	Performance Award	Expenses Allowance	Compensation for loss of office	Sub Total	Employer Pension contributions	Total
(P Adams)	2009-10	126,300	11,300	0	0	137,600	23,800	161,400
Director of Adult Social Services	2010-11	127,700	5,800	1,300	0	134,800	24,000	158,800
(H Bodmer)	2009-10	123,200	10,400	1,200	0	134,800	23,100	157,900
Director of Environment, Transport and Development	2010-11	127,600	2,900	600	0	131,100	23,500	154,600
(M Jackson)	2009-10	120,000	6,300	1,600	0	127,900	21,900	149,800
Chief Fire Officer * (N Williams)	2010-11	83,200	0	11,100	0	94,300	17,700	112,000
(R Elliott)	2009-10	114,100	3,400	0	0	117,500	25,000	142,500
Head of Finance	2010-11	103,800	4,700	400	0	108,900	19,500	128,400
(P Brittain)	2009-10	97,900	5,300	400	0	103,600	17,900	121,500
Head of Customer Service and Communications	2010-11	89,600	4,100	0	0	93,700	16,900	110,600
(J Hannam)	2009-10	89,500	8,000	0	0	97,500	16,700	114,200
Head of law and Monitoring Officer	2010-11	86,900	4,600	100	0	91,600	16,500	108,100
(V McNeill)	2009-10	83,100	7,200	1,700	0	92,000	15,600	107,600

* The Chief Fire Officer (R Elliott) retired at the end of 2009-10, but his replacement (N Williams) was not appointed until August 2010.

** The post of Director of Corporate Resources and Cultural Services was deleted on 31 March 2011 as part of the Council's 2011 budget savings.

(ii) The Council's other employees receiving more than £50,000 remuneration for the year (excluding employer's pension contributions) were paid the following amounts. The numbers for 2010-11 reflect an increase in the number of employees receiving compensation for loss of office.

Remuneration Band	2009-10			2010-11		
	School Staff	Other Staff	Total Employees	School Staff	Other Staff	Total Employees
£50,000 - £54,999	170	100	270	161	116	277
£55,000 - £59,999	95	63	158	101	76	177
£60,000 - £64,999	40	17	57	52	39	91
£65,000 - £69,999	19	11	30	17	17	34
£70,000 - £74,999	10	2	12	12	7	19
£75,000 - £79,999	11	5	16	9	9	18
£80,000 - £84,999	8	9	17	7	11	18
£85,000 - £89,999	5	8	13	4	3	7
£90,000 - £94,999	1	5	6	1	7	8
£95,000 - £99,999	0	2	2	6	3	9
£100,000 - £104,999	3	2	5	0	3	3
£105,000 - £109,999	1	0	1	2	3	5
£110,000 - £114,999	0	0	0	0	2	2
£115,000 - £119,999	0	1	1	0	0	0
£120,000 - £124,999	0	0	0	0	0	0

Remuneration Band	2009-10			2010-11		
	School Staff	Other Staff	Total Employees	School Staff	Other Staff	Total Employees
£125,000 - £129,999	0	0	0	0	3	3
£130,000 - £134,999	0	0	0	0	0	0
£135,000 - £139,999	0	0	0	0	0	0
£140,000 - £144,999	0	0	0	0	0	0
£145,000 - £149,999	0	0	0	0	0	0
£150,000 - £154,999	0	0	0	0	0	0
£155,000 - £159,999	0	0	0	0	0	0
£160,000 - £164,999	0	0	0	0	0	0
£165,000 - £169,999	0	1	1	0	0	0
£170,000 - £174,999	0	0	0	0	0	0
£175,000 - £179,999	0	0	0	0	1	1

37. External Audit Costs

The Council has incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and statutory inspections provided by the Council's external auditors:

	2009-10 £000s	2010-11 £000s
Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor	400	253
Fees payable to the Audit Commission in respect of statutory inspections	35	0
Fees payable to the Audit Commission for the certification of grant claims and returns	33	35
Fees payable in respect of other services provided by the Audit Commission	2	11

The total for Other Services relates to fees in respect of FRS17 Pension audit.

38. Dedicated Schools Grant

Education authorities in England are required by the Accounts and Audit Regulations 2003 (as amended) and paragraph 3.4.4.1 (12) of the Code to include a note demonstrating whether the Dedicated Schools Grant has been deployed in accordance with regulations.

The Council's expenditure on schools is funded by grant monies provided by the Department for Education, the Dedicated Schools Grant (DSG). DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School Finance (England) Regulations 2008. The Schools Budget includes elements for a range of educational services provided on an authority-wide basis and for the Individual Schools Budget (ISB), which is divided into a budget share for each maintained school.

Details of the deployment of DSG receivable for 2010-11 are as follows:

	2009-10			2010-11		
	Total	**Central Expenditure**	**Individual Schools Budget**	**Total**	**Central Expenditure**	**Individual Schools Budget**
	£000s	**£000s**	**£000s**	**£000s**	**£000s**	**£000s**
Final DSG for the financial year	(419,865)			(424,363)		
Brought forward from the previous year	(2,463)			0		
Carry forward to next financial year agreed in advance	220			0		
Agreed budgeted distribution in the year	(422,108)	(51,140)	(370,968)	(424,363)	(47,940)	(376,423)
Actual central expenditure		51,489			45,394	
Actual ISB deployed to schools			370,968			376,423
Council contribution for the year	(129)	(129)	0	(109)	(109)	0
Carry forward to next financial year	0	(220)	0	(2,655)	(2,655)	0

The carry forward for 2009-10 (nil) represented the central expenditure excess of £0.220m plus the carry forward to 2010-11, agreed in advance, of £0.220m.

39. Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2010-11.

	2009-10 (Restated) £000s	2010-11 £000s
Credited to Taxation and non Specific Grant Income:		
Revenue Support Grant	42,438	30,210
Area Based Grant	39,987	51,060
Total	**82,425**	**81,270**
Credited to Services:		
Asylum Seekers - UASC Grant	817	1,123
Childcare Grant	20,994	24,187
Children & Young People Grant	457	1,403
Children's Services Grant	1,938	40
Dedicated School Grant	419,865	424,363
Future Jobs Fund Receipts	1,633	3,090
Home Office Grants	1,120	220
Learning Disability Campus Closure Programme	0	1,565
LPSA/ODPM Reward Grant	1,278	3,364
LSC - Sixth Form Grants	31,145	57,077
MLA Council Grant	1,999	2,170
Preserved Rights Grant	1,683	1,572
Private Finance Initiative Grant	7,994	8,046
School Standards Grant	25,578	23,891
Schools (Direct) Grant funding	3,096	4,087
Skills Funding Agency Grant	6,764	5,709
Standards Fund Grant	50,383	56,166

Supporting People Grant	17,227	248
Teacher Training Agency Grant	1,856	1,448
Transforming Social Care Grant	2,191	0
Other Grants	5,836	8,410
Contributions From National Health	5,837	8,756
Contribution From Other Local Authorities	4,668	3,960
Other Contributions	1,655	2,545
Total	**616,014**	**643,440**

The Council has received a number of grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them that will require the monies or property to be returned to the giver. The balances at the year end are as follows:

	2008-09 (Restated) £000s	2009-10 (Restated) £000s	2010-11 £000s
Conditional Revenue Grants & Contributions:			
Winter Maintenance Grant	0	0	6,898
Standards Fund Grant	5,794	2,747	2,191
PFI Grant	0	0	1,210
Other Revenue Grants & Contributions	6,372	4,041	4,939
Total	**12,166**	**6,788**	**15,238**
Capital Grants Receipts in Advance:			
Adult Social Services - PCT Resettlement Contribution	1,118	1,118	1,118
Children's Services - Developer Contributions	3,314	798	4,012
Children's Services - LCVAP	5,638	6,818	7,962

Children's services - Learning Skills Council Grant	1,087	0	0
Children's Services - NORA Grant	734	734	734
Children's Services - Standards Fund	25,650	39,319	28,082
Children's Services - Sure Start	3,328	2,530	792
Children's Services - Youth And Community Grant	801	1,167	1,350
Highways - Contribution From Other Local Authority	1,789	570	1,500
Highways - Developer Contributions	7,480	8,644	5,071
Highways – Department for Transport-Detrunking Grant	0	2,958	350
Highways - GNDP Funding	0	0	2,153
Waste Management And Travellers - DETR Traveller's Site Grant	1,349	0	0
Other smaller Capital Grants & Contributions	1,034	598	614
Total Capital Grant receipts in Advance	**53,222**	**65,254**	**53,738**

40. Related Party Transactions

The Council is required to disclose material transactions with related parties, bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. Disclosure of these transactions allows readers to assess the extent to which the Council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Council. These include:

Central Government

Central Government has effective control over the general operations of the Council. It is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties. Grants received from Government Departments are set out in the subjective analysis in note 29 on amounts reported to decision makers. Grant receipts outstanding at 31 March 2011 are shown in note 39.

Members

Members of the Council have direct control over the Council's financial and operating policies. The total of members allowances paid in 2010-11 is shown in note 35. The Council wrote to all members requesting details of any related party transactions. There is one member (Mr Dorrington) who operates 3 care homes that transact with the County Council. Invoices raised during 2010-11

totalled £1.591 (£1.618m in 2009-10). The Council has given £5.359 (£6.690m in 2009-10) of funding to several charities for which a number of members are Trustees. Further details are available in the Register of Member's Interests.

<u>Officers</u>
During the year the Council wrote to all Chief Officers requesting details of any related party transactions. There are no disclosures.

<u>Other Public Bodies</u>:

d) Eastern Sea Fisheries Joint Committee (ESFJC) – There are four councillors that represent the council on the ESFJC. In 2001-02 the council made a loan of £0.320m to the ESFJC towards the cost of buying a new boat. The loan was repaid in full during 2010-11.

e) The Council has pooled fund arrangements with local Primary Care Trusts. Transactions and balance outstanding are detailed in note 33.

f) The Council has an arrangement to administer and invest surplus cash balances for Norfolk Police Authority and Norfolk Probation Board. During the financial year the average daily balances invested were £25.4m and £2.7m respectively (£29.4m and £0.640m in 2009-10). The Council paid a total for interest of £0.193m and £0.021m respectively on these deposits (£0.401m and £0.004m in 2009-10).

g) The Council is a member of three Joint Committees – Museums and Records Joint Committees and the Eastern Shires Purchasing Organisation (ESPO). Material transactions with these organisations are included elsewhere in the accounts.

<u>Pension Fund</u>
During the financial year, the pension fund had an average daily balance of £12.1m of surplus cash deposited with the Council (£12.1m in 2009-10). The Council paid the fund a total for interest of £0.095m on these deposits (£0.080m in 2009-10). The Council charged the fund £0.006m (£0.006m in 2009-10) for expenses incurred in administering these balances.

<u>Companies and Joint Ventures</u>
The Council has one subsidiary company, NORSE Group Ltd. During the year the total value of payments made to and received from NORSE Group Ltd, were £52.523m and £3.937 respectively (£43.885m and £6.327m respectively in 2009-10).

41. Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance leases and PFI contracts), together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Council, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be financed. The CFR is analysed in the second part of this note.

	2009-10 (Restated) £000s	2010-11 £000s
Opening Capital Financing Requirement	625,405	668,094
Opening Balance Adjustment	(2)	(7)
	625,403	668,087
Capital Investment		
Property, plant and equipment	148,616	140,416
Investment properties	0	0
Intangible assets	1,708	0
Revenue expenditure funded from capital under statute	23,019	20,700
Sources of Finance		
Capital receipts	(3,724)	(4,704)
Government grants and other contributions	(90,118)	(89,815)
Sums set aside from revenue:		
Direct revenue contributions	(8,960)	(8,040)
MRP	(27,850)	(28,957)
Closing Capital Financing Requirement	668,094	697,687

Explanation of Movements in Year		
Increase in underlying need to borrow (supported by Government financial assistance)	23,006	15,599
Increase in underlying need to borrow (unsupported by Government financial assistance)	13,928	5,081
Assets acquired under Finance Leases	(136)	895
Assets acquired under PFI contracts	5,893	8,025
Increase/(decrease) in Capital Financing Requirement	42,691	29,600

42. Leases

Council as Lessee:

a) Finance Leases

The Council has acquired the following assets under finance leases:

- Land and Buildings – The Council has a number of finance leases of land and buildings which are leased at a peppercorn rent. The leases of Lakenham First School, Time and Tide Museum, Great Yarmouth, and North Earlham Fire Station have been reclassified under IFRS as operating leases.
- Vehicles, Plant and Equipment – The Council has acquired vehicles and equipment for the Fire service, Library service Children's services and ICT. In addition, vehicles and equipment are leased by the Council and then sub-let to NORSE on identical terms.

The Group total comprises the Council's assets (as listed above) together with the vehicles, plant and equipment acquired under finance leases by the Council's subsidiary company NORSE Group Ltd.

The assets acquired under these leases are carried as Property, Plant and Equipment in the Balance Sheet at the following net amounts:

	County Council		Group	
	31 March 2010 (Restated) £000s	31 March 2011 £000s	31 March 2010 (Restated) £000s	31 March 2011 £000s
Land and buildings	7,117	7,024	7,117	7,024
Vehicles, plant and equipment	8,568	9,550	10,395	10,039
County Council Total	**15,685**	**16,574**	**17,512**	**17,063**

The Council is committed to making minimum payments under these leases comprising settlement of the long term liability for the interest in the property acquired by the Council and finance costs that will be payable by the Council in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts:

	County Council		Group	
	31 March 2010 (Restated) £000s	31 March 2011 £000s	31 March 2010 (Restated) £000s	31 March 2011 £000s
Finance lease liabilities (net present value of minimum lease payments):				
Current	1,996	1,728	2,882	2,133
Non current	7,313	8,461	7,924	8,667
Finance costs payable in future years	1,849	1,687	1,978	1,745
Minimum lease payments	**11,158**	**11,876**	**12,784**	**12,545**

The minimum lease payments will be payable over the following periods:

County Council	**Minimum Lease Payments**		**Finance Lease Liabilities**	
	31 March 2010 (Restated) £000s	**31 March 2011 £000s**	**31 March 2010 (Restated) £000s**	**31 March 2011 £000s**
Not later than one year	2,471	2,195	**1,996**	**1,747**
Later than one year and not later than five years	5,282	6,880	**4,199**	**5,837**
Later than five years	3,405	2,801	**3,114**	**2,605**
	11,158	11,876	**9,309**	**10,189**

Group	**Minimum Lease Payments**		**Finance Lease Liabilities**	
	31 March 2010 (Restated) £000s	**31 March 2011 £000s**	**31 March 2010 (Restated) £000s**	**31 March 2011 £000s**
Not later than one year	3,428	2,628	**2,882**	**2,152**
Later than one year and not later than five years	5,715	7,049	**4,601**	**5,995**
Later than five years	3,641	2,868	**3,323**	**2,653**
	12,784	12,545	**10,806**	**10,800**

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews.

b) Operating Leases

Vehicles, Plant and Equipment:

- The Council uses leased vehicles and communication equipment financed under the terms of an operating lease. The amount paid under these arrangements in 2010-11 was £0.625m (£1.432m in 2009-10).

Land and Buildings:

– The Council leases a number of properties on short term leases which have been accounted for as operating leases. The rentals payable in 2010-11 were £2.190m (£2.623m in 2009-10).

NORSE Group Ltd - The group uses leased vehicles, plant and equipment financed under the terms of an operating lease. The amount paid under these arrangements in 2010-11 was £3.173m (£2.932m in 2009-10). The company also leases a number of properties on short term leases which have been accounted for as operating leases. The rentals payable in 2010-11 were £1.978m (£1.759 in 2009-10).

The future minimum lease payments due under non cancellable leases in future years are:

	31 March 2010 (Restated)		31 March 2011	
	County Council	Group	County Council	Group
	£000s	£000s	£000s	£000s
Not later than one year	2,846	6,112	2,799	6,506
Later than one year and not later than five years	8,303	19,853	7,325	17,941
Later than five years	12,450	19,282	11,178	17,780
Total	**23,599**	**45,247**	**21,282**	**42,227**

The expenditure charged to the Comprehensive Income and Expenditure Statement during the year in relation to these leases was:

	31 March 2010 (Restated)		31 March 2011	
	County Council	Group	County Council	Group
	£000s	£000s	£000s	£000s
Minimum lease payments	2,815	7,506	4,055	9,206

<u>The Council as Lessor</u>:

Finance leases: Property

The Council has leased out school buildings to Academy schools on finance leases. The initial lease at the open Academy was for 3 years from September 2008, with a further 125 year lease to follow. The initial lease at the City Academy was for 5 years from September 2009, with a further 125 year lease to follow. The Council ahs also leased out an Adult Social Services property with a remaining term of 18 years and the Council's interest in the Forum complex to the Forum Trust for 125 years from September 2001. The rentals for all these leases are peppercorn rentals.

Finance leases: Vehicles, plant and equipment

Vehicles and equipment are leased by the Council on finance leases and then sub-let to Norse Group Ltd on identical terms. The minimum lease payments comprise settlement of the long term debtor for the interest in the property acquired by the lessee and finance income that will be earned by the Council in future years whilst the debtor remains outstanding. The gross investment is made up of the following amounts:

	County Council	
	31 March 2010 (Restated) £000s	**31 March 2011 £000s**
Finance lease debtor (net present value of minimum lease payments):		
Current	595	25
Non current	25	0
Unearned finance income	14	2
Gross investment in the leases	634	27

The gross investment in the leases and minimum lease payments will be received in 2011-12.

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews.

Operating leases

The Council leases out property under operating leases for a number of services, including Economic Development and the County Farms estate.

The future minimum lease payments due under non cancellable leases in future years are:

	31 March 2010 (Restated) £000s	31 March 2011 £000s
Leases expiring within 1 year	1,527	1,585
Leases expiring within 2 to 5 years	4,134	3,548
Leases expiring after 5 years	7,624	6,957
	13,285	**12,090**

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews.

43. PFI and similar contracts

The Council currently has three PFI contracts with private sector contractors:

Norwich Schools Private Finance Initiative (PFI)

On 20 March 2006, the Council contracted with Academy Services (Norwich) Limited to provide, under the PFI, four new build replacement primary schools, one new build junior school and one extended and refurbished secondary school.

The 5 newly constructed schools were completed by August 2008 and are included in the Council's non current assets total along with the value of the enhancement to Taverham High school. All of the schools have now been revalued in line with the accounting policy for land and buildings.

Salt Barns Private Finance Initiative (PFI)

The Council signed a PFI contract to provide serviced salt storage facilities on 30 March 2000 and the project began in September 2000.

The contract is for the provision of 7 salt barns. These have been recognised within the Council's assets and have been revalued in line with the Council's accounting policies.

Street Lighting (PFI)

On 3 November 2007, the Council contracted with Amey Street Lighting (Norfolk) Ltd. The contract began on 4 February 2008, when Amey took over the provision of a street lighting service using the existing equipment. The contract provides for the renewal of 50% of streetlights, signs and bollards over a 5 year period. The contract also requires the contractor to maintain 100% of the lighting points (circa 60,000) up to a specified standard and to upgrade all those not renewed in the first 5 years to modern lighting standards by year 15 of the contract.

The renewal of the columns was planned over a 5 year period, the core improvement programme. The value of the actual columns replaced has now been included within the Council's assets. The street lighting columns have been included as Highways Infrastructure assets and are currently held at historic cost.

Property, Plant and Equipment

The assets used to provide services in the three schemes are recognised on the Council's Balance Sheet. Movements in their value over the year are detailed in the analysis of the movement on the Property, Plant and Equipment balance in note 14.

Payments

The Council makes an agreed payment each year which is increased each year by inflation and can be reduced if the contractor fails to meet availability and performance standards in any year but which is otherwise fixed. Payments remaining to be made under the PFI contracts at 31 March 2011 (excluding any estimation of inflation and availability/performance deductions) are as follows:

Payments due to be made under PFI and similar contracts

	Payment for services	Reimbursement of capital expenditure	Interest	Total at 31 March 2011	Total at 31 March 2010 (Restated)	Total at 31 March 2009 (Restated)
	£000s	£000s	£000s	£000s	£000s	£000s
Payable in 2011-12	4,327	1,886	5,556	**11,769**	10,391	10,418
Payable within 2-5 years	24,546	4,111	24,670	**53,327**	48,506	46,239

Payable within 6-10 years	37,687	4,472	27,853	**70,012**	58,951	58,878
Payable within 11-15 years	32,677	14,110	23,343	**70,130**	71,165	70,575
Payable within 16-20 years	35,365	25,587	13,304	**74,256**	69,148	68,292
Payable within 21-25 years	12,611	10,783	1,430	**24,824**	37,578	51,755
Total	**147,213**	**60,949**	**96,156**	**304,318**	**295,739**	**306,157**

Although the payments made to the contractors are described as unitary payments, they have been calculated to compensate the contractor for the fair value of the services they provide, the capital expenditure incurred and interest payable whilst the capital expenditure remains to be reimbursed. The liability outstanding to pay the liability to the contractor for capital expenditure incurred is as follows:

2010-11	**Norwich Schools PFI**	**Salt Barns**	**Street Lighting**	**Total**
	£000s	**£000s**	**£000s**	**£000s**
Balance outstanding at start of the year	29,727	781	9,968	**40,476**
Payments during the year	(4,170)	(341)	(2,196)	**(6,707)**
Capital expenditure incurred in the year	0	0	9,846	**9,846**
Finance lease cost	3,687	346	853	**4,886**
Balance outstanding at year end	**29,244**	**786**	**18,471**	**48,501**

Comparatives for 2009-10	Norwich Schools PFI	Salt Barns	Street Lighting	Total
	£000s	£000s	£000s	£000s
Balance outstanding at start of the year	30,396	1,084	3,103	**34,583**
Payments during the year	(4,439)	(784)	(1,610)	**(6,833)**
Capital expenditure incurred in the year	0	0	8,209	**8,209**
Other movements	3,770	481	266	**4,517**
Balance outstanding at year end	**29,727**	**781**	**9,968**	**40,476**

44. Impairment losses

The Code requires disclosure by class of assets of the amounts for impairment losses and impairment reversals charged to the surplus or deficit on the Provision of Services and to Other Comprehensive Income and Expenditure. These disclosures are consolidated in notes 14 and 16 reconciling the movement over the year in the Property, Plant and Equipment and Intangible Asset balances.

During 2010-11 the Council has recognised an impairment loss of £19.157m in relation to capital expenditure incurred which does result in a change to the value of the assets.

45. Termination Benefits

The Council terminated the contracts of a number of employees in 2010-11, incurring liabilities of £5.181m (£1.487m in 2009-10). Of this total, £0.083m is payable to Mr P Adams in the form of compensation for loss of office, as disclosed in note 36. The remaining £5.098 is payable to 425 officers from across the organisation who were made redundant as part of the Council's efficiency savings.

46. Pension Schemes accounted for as Defined Contribution Schemes

Teachers employed by the Council are members of the Teachers' Pension Scheme, administered by the Capita Teachers' Pensions. The scheme provides teachers with defined benefits upon their retirement, and the Council contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

The Scheme is technically a defined benefit scheme. However, the scheme is unfunded and Capita Teachers' Pensions uses a notional fund as the basis for calculating the employers' contribution rate paid by local authorities. The Council is not able to identify its share of the underlying financial position and performance of the Scheme with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts it is therefore accounted for on the same basis as a defined contribution scheme.

In 2010-11, the County Council paid £32.077m to Teachers' Pensions in respect of teachers' retirement benefits, representing 14.1% of pensionable pay. The figures for 2009-10 were £32.711m and 14.1%. There were no contributions remaining payable at the year end.

The Council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the Teachers' scheme. These costs are accounted for on a defined benefit basis and detailed in note 47.

47. Defined Benefit Pension Schemes

Participation in Pensions Schemes

As part of the terms and conditions of employment of its officers and other employees, the Council offers retirement benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make future payments and thus these need to be disclosed as a future entitlement. The Council participates in two pension schemes:

- The Local Government Pension Scheme (the Pension Fund) for civilian employees, administered by the County Council – this is a funded defined benefit final salary scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.

- The Fire Pension Scheme for fire fighters – this is an unfunded defined benefit final salary scheme administered by the Council, meaning that there are no investment assets built up to meet the pensions liabilities, and cash has to be generated to meet actual pensions payments as they eventually fall due.

Group Accounts

Employees of the Council's subsidiary NORSE Group Ltd are also offered retirement benefits in defined benefit schemes. The Group Accounts have been adjusted to reflect the cost of retirement benefits for all Group employees. Full details of these costs and adjustments are included in the accounts of NORSE Group Ltd and have not been replicated here.

Transactions Relating to post employment Benefits

The Council recognise the cost of retirement benefits in the reported cost of services when employees earn them, rather than when the benefits are eventually paid as pensions. However, the charge the Council is required to make against council tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

In his budget statement on 22 June 2010 the Chancellor announced that with effect from 1 April 2011 public sector pensions would be up-rated in line with the Consumer Prices Index (CPI) rather than the Retail Prices Index (RPI). The CPI is historically lower than RPI and the effect on the Council's accounts is to reduce the pension liability by £176.163m for the Council and £202.457m for the Group and this is shown as an exceptional item in the Comprehensive Income and Expenditure Statement.

	Local Government Pension Scheme		**Fire-Fighters Pension Scheme**	
	2009-10	**2010-11**	**2009-10**	**2010-11**
	£000s	**£000s**	**£000s**	**£000s**
Comprehensive Income and Expenditure Statement				
Cost of Services:				
Current service cost	26,536	50,021	2,800	5,400
Past service costs/(gain)	2,000	(151,421)	0	(21,700)
Settlements and curtailments	1,688	(49)	(400)	(700)

Financing and Investment Income and Expenditure:				
Interest cost	73,836	89,588	10,100	10,000
Expected return on assets	(46,641)	(68,899)	0	0
Total post employment benefit charged to the Surplus of Deficit on the Provision of Services	57,419	(80,760)	12,500	(7,000)
Other post employment benefit charged to the Comprehensive Income and Expenditure Statement:				
Actuarial gains and losses	(409,735)	291,435	(45,600)	3,900
Total post employment benefit charged to the Comprehensive Income and Expenditure Statement	(352,316)	210,675	(33,100)	(3,100)
Movement in Reserves Statement:				
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	(57,419)	80,760	(12,500)	7,000
Actual amount charged against the General Fund balance for pensions for the year:				
Employers contributions payable to the scheme (includes contributions in respect of unfunded benefits)	44,568	48,205		
Retirement benefits payable to pensioners			5,100	4,600

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to 31 March 2010-11 is a loss of £311.238m (£606.574m in 2009-10).

Assets and liabilities in relation to post employment benefits

Reconciliation of present value of the scheme liabilities (defined benefit obligation):

	Funded liabilities: Local Government Pension Scheme		Unfunded liabilities: Fire Fighters Pension Scheme	
	2009-10	**2010-11**	**2009-10**	**2010-11**
	£000s	**£000s**	**£000s**	**£000s**
Balance at 1 April	1,069,302	1,740,289	147,400	200,400
Current service cost	26,536	50,021	2,800	5,400
Interest cost	73,836	89,588	10,100	10,000
Contributions by scheme participants	15,317	15,756	1,200	1,200
Transfers in from other authorities			0	300
Actuarial losses/(gains)	595,756	(308,585)	45,600	(3,900)
Losses on curtailments	1,348	3,521	0	0
Pension and lump sum expenditure	0	0	(6,300)	(6,100)
Liabilities extinguished on settlements	(781)	(9,899)	(400)	(700)
Liabilities Assumed in a Business Combination	0	3,199	0	0
Benefits paid	(38,411)	(44,931)	0	0
Unfunded benefits paid	(4,614)	(4,789)	0	0
Past service costs/(gain)	2,000	(151,952)	0	(21,700)
Balance at 31 March	**1,740,289**	**1,382,218**	**200,400**	**184,900**

Reconciliation of fair value of the scheme assets:

	Local Government Pension Scheme	
	2009-10	**2010-11**
	£000s	**£000s**
Balance at 1 April	744,647	993,048
Expected rate of return	46,641	68,899
Actuarial (gains)/losses	186,021	(17,150)
Employer contributions	39,954	43,416
Contributions by scheme participants	15,317	15,756
Benefits paid	(38,411)	(44,931)
Assets Acquired in a Business Combination	0	2,668
Assets distributed on settlements	(1,121)	(6,330)
Balance at 31 March	**993,048**	**1,055,376**

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long term real rates of return experienced in the respective markets.

The actual return on scheme assets in the year was £76.066m (£232.743m in 2009-10).

In the UK budget statement on 22 June 2010 the Chancellor announced that with effect from 1 April 2011 public service pensions would be up-rated in line with the Consumer Prices Index (CPI) rather than the Retail Prices Index (RPI). This has the effect of reducing the Council's liabilities in the Pension Fund by £154.463m and in the Fire Pension Scheme by £21.700m. These reductions have been recognised as past service gains in accordance with guidance set down in UITF Abstract 48, since the change is considered to be a change in benefit entitlement. There is no impact on the General Fund.

Scheme History

	2006-07	2007-08 restated	2008-09	2009-10	2010-11
	£000s	£000s	£000s	£000s	£000s
Present value of liabilities:					
• Local Government Pension Scheme	(1,165,400)	(1,074,589)	(1,069,302)	(1,740,289)	(1,382,218)
• Fire Fighters Pension Scheme	(155,300)	(137,400)	(147,400)	(200,400)	(184,900)
Fair value of assets in the Local Government Pension Scheme	944,200	925,747	744,647	993,048	1,055,376
Surplus/(deficit) in the scheme:					
• Local Government Pension Scheme	(221,200)	(148,842)	(324,655)	(747,241)	(326,842)
• Fire Fighters Pension Scheme	(155,300)	(137,400)	(147,400)	(200,400)	(184,900)
• Total	(376,500)	(286,242)	(472,055)	(947,641)	(511,742)

The liabilities show the underlying commitments that the Council has in the long run to pay retirement benefits. The total liability of £511.742m has a substantial impact on the net worth of the Council as recorded in the Balance Sheet, resulting in an overall balance of (£561.488m). However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy:

- The deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary
- Finance is only required to be raised to cover fire fighters pensions when the pensions are actually paid.

The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2012 is £42.376m. Expected contributions for the Fire fighters Pension Scheme in the year to 31 March 2012 are £2.195m.

Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. Both the fire fighters scheme and the County Council Fund liabilities have been assessed by Hymans Robertson, an independent firm of actuaries, estimates for the County Council fund being based on the latest full valuation of the scheme as at 31 March 2010.

The principal assumptions used by the actuary have been:

	Local Government Pension Scheme		Fire fighters Pension Scheme	
	2009-10	2010-11	2009-10	2010-11
Long term expected rate of return on assets in the scheme:				
Equity investments	7.8%	7.5%	-	-
Bonds	5.0%	4.9%	-	-
Property	5.8%	5.5%	-	-
Cash	4.8%	4.6%	-	-
Mortality assumptions:				
Longevity at 65 (60 for Fire fighters scheme) for current pensioners:				
Men	20.8	21.2	27.6	27.9
Women	24.1	23.4	31.0	30.8
Longevity at 65 (60 for Fire fighters scheme) for future pensioners:				
Men	22.3	23.6	29.2	29.5
Women	25.7	25.8	32.7	32.3
Rate of inflation	3.8%	2.8%	3.8%	3.6%
Rate of increase in salaries	5.3%	5.1%	5.3%	4.6%
Rate of increase in pensions	3.8%	2.8%	3.8%	2.8%
Rate for discounting scheme liabilities	5.5%	5.5%	5.5%	5.5%

Take up of option to convert annual pension into retirement lump sum	50%	50%	N/A	N/A

The Fire Fighters Pension Scheme has no assets to cover its liabilities. Assets in the County Council Pension Fund are valued at fair value, principally market value for investments, and consist of the following categories, by proportion of the total assets held by the Fund.

	31 March 2010	**31 March 2011**
	%	**%**
Equity investments	67	67
Bonds	17	17
Property	10	11
Other assets	6	3
	100	**100**

History of experience gains and losses

The actuarial gains and losses identified as movements on the Pensions reserve in 2010-11 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2011.

	2006-07	**2007-08 (as restated)**	**2008-09**	**2009-10**	**2010-11**
	%	**%**	**%**	**%**	**%**
Differences between the expected and actual return on assets	(0.5)	(10.9)	(17.8)	28.1	28.1
Experience gains and losses on liabilities	(2.3)	1.6	0.2	0.2	0.2

48. Interests in Companies

The County Council has an interest in a number of companies and organisations. Details of each of these companies are as follows:

NORSE Group Ltd

The company was formed on 1 February 2006 and its principal activity is that of a holding company. It is a wholly owned subsidiary of the County Council and is included in the Group Accounts.

NORSE Group Ltd brings together Facilities Management provider NORSE Commercial Services Limited (NCS), Property Services provider, NPS Property Consultants Limited (NPS), and waste management services provider Norfolk Environmental Waste Services Limited (NEWS). In March 2001, NEWS borrowed £2.440m from the Council, which is being repaid in equal instalments over 23 years. During 2009-10, NORSE Commercial Services Ltd borrowed £3.699m from the Council to purchase property, which is being repaid in semi annual instalments up to March 2040.

Facilities Management services include cleaning, printing, building maintenance, waste collection, transport, environmental services and security, as well as support services such as human resources and payroll. Waste management includes operating and maintaining landfill sites, waste transfer stations, and recycling facilities, as well as waste collection and composting services.

Property consultancy services include architectural services, CDM and project management, building surveying, valuation and estate management, land agency, quantity surveying, graphic design and archaeological services.

The group delivers a comprehensive range of professional services to both public and private sector clients throughout the UK. The group continued to expand and strengthen its position throughout the UK within its core markets, but in addition looked to expand its activities into niche markets to generate added value.

The group's client list includes many local authorities and housing associations, government departments, health authorities and emergency services.

Norfolk County Council holds 100% of the allotted ordinary shares in NORSE Group Ltd amounting to a shareholding of £11.964m. There is no parent indebtedness in the County Council for NORSE Group Ltd. The company's accounting period for 2010-11 is from 01 February 2010 to 31 January 2011. The final accounts of the company for the year ended 31 January 2011 are still subject to audit. Copies of the accounts may be obtained from Companies House or by request to the County Council.

The results for the NORSE Group Ltd to the end of January are shown in the table below. Totals for 2009-10 have been restated to comply with the requirements of IFRS.

	2009-10 (Restated)	2010-11
	£000s	£000s
NORSE Group Ltd		
Net Assets for the accounting period	(15,951)	157
Profit/(Loss) for the accounting period (before Tax)	29	16,277
Profit/(Loss) for the accounting period (after tax)	(348)	11,367

(a) Norwich Airport Legislator Companies.

In March 2004, the County Council and Norwich City Council sold 80.1% of the shares held in Norwich Airport Ltd to Omniport Limited. The remaining shares are held by the County Council (9%), Norwich City Council (6%) and a jointly owned local authority company, Legislator 1656 (4.9%). A second jointly owned local authority company, Legislator 1657 (a wholly owned subsidiary of Legislator 1656), holds some land associated with the airport which was excluded from the sale to Omniport. The County Council holds 60% of Legislator 1656 with the City Council holding the remaining 40%, effectively giving the County Council a further holding of 3% in the Airport Company. This is in addition to the Council's direct share holding in the airport (9%). The sale valued Norwich Airport at £13.7m and the investment value included in the Balance Sheet represents the Council's 9% direct holding in the company. Further details are included in the note on Financial Instruments on page **Error! Bookmark not defined.**.

The accounts for 2010-11 are not yet available. Copies of the accounts will be available from Companies House or by request to the County Council.

	Legislator 1656		Legislator 1657	
	2009-10	**2010-11**	**2009-10**	**2010-11**
	£000s	**£000s**	**£000s**	**£000s**
Net Assets for the accounting period	5,689		3,768	
Profit/(Loss) for the accounting period (before Tax)	140		(103)	
Profit/(Loss) for the accounting period (after tax)	101		(74)	

(b) Norfolk Historic Buildings Trust

The Trust undertakes renovations of historic buildings. Norfolk County Council has a 26% interest in the Trust.

The 2010-11 accounts for this organisation have not yet been finalised, details of the net assets and profits or losses are taken from their draft accounts for 2010-11. Copies of the 2009-10 accounts may be obtained from the Charity Commission website www.charity-commission.gov.uk.

	2009-10	**2010-11**
	£000s	**£000s**
Net Assets for the accounting period	1,219	1,201
Net income/(expenditure) for the year	(32)	(18)

49. Contingent Liabilities

MMI

In 1992, Municipal Mutual Insurance (MMI), one of the Council's insurers, ceased accepting new business. MMI and its policyholders, including local authorities, have established a Scheme of Arrangement for the orderly run down of the company. MMI's future liabilities under its old policies cannot be fully quantified until all the claims, current and yet to be made, have been settled. There is a possibility that, at some time in the future, MMI will not have enough assets to meet the claims and liabilities. The Scheme of Arrangement provides that, if there is a likelihood of a shortfall, MMI can reclaim from the major policyholders part of the claims paid from 1 October 1993. The Council thus has a contingent liability in this respect. The total amount, both estimated (unpaid) and paid, of claims to date, which could be subject to part reclamation is £5.104m. The management accounts for MMI at 30 September 2010 includes a provision for these events, however the company now reports that continued solvency is dependent on the result of an appeal to the supreme court. The risk of this contingent liability has therefore increased but is not considered imminent as a supreme court decision is not expected until late 2012 and it is not anticipated that the Authority will be called upon to meet the claims.

Financial Guarantees

The Council applies for funding from a number of different sources. In some cases the funding agreement includes a clause requiring the Council to provide a financial guarantee in order to secure the funding. The guarantees given are not specific and generally relate to agreements to provide revenue and/or capital support for the service for which the funding is given for a specific period.

The Council has given several financial guarantees for project funding, e.g. a development project at Gressenhall Museum secured £1m Lottery Funding, for which the Council has agreed to cover any increases in capital building costs and provide revenue support for at least 10 years following the completion of the project (completed in 2001).

Guarantees given prior to 1 April 2006 and not previously recognised on the Balance Sheet do not need to be recognised as financial instruments but can continue to be accounted for as a contingent liability. Regulations made by Government under the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008, further state that any guarantees entered into before 8 November 2007 can be accounted for under the previous SORP and can also continue to be accounted for as a contingent liability.

Great Yarmouth Port Company Pension Guarantee

On 25 May 2007, the employees of Great Yarmouth Port Authority, who had transferred into the employment of the new Great Yarmouth Port Company (GYPC), were admitted into the Norfolk Pension Scheme. Norfolk County Council is underwriting any potential liability for these employees to the Pension Scheme. GYPC was required to provide land to the County Council

as collateral to cover the liability, the value of which is reviewed annually. At the time of the 2010-11 valuation (May 2010), the value of the collateral was just under 103 % of the potential liability. The 2011-12 valuation is ongoing. In the event that the guarantee is called upon, the Council would expect the value of the collateral to meet any obligation that may arise to the Fund.

Equal Pay Claims

The County Council has received just over 200 equal pay claims and is in ongoing contact with the Trade Unions' lawyers, the Council's legal advisers and the Employment Tribunal to progress them. The claims are not yet at a stage where the specific basis of each claim has been identified by the claimants. The Employment Tribunal has arranged a pre hearing review for September 2011. It will only be possible to quantify the financial risk, with a reliable estimate of the cost, when the cases have progressed further through the legal process. The claims are likely to take some time to resolve and in the event that some of the claims are successful, the County Council has set aside funding in a reserve to meet them. The amount of funding required, to meet any successful claims, will continue to be assessed and reviewed on a regular basis as the claims progress through the legal process.

50. Nature and Extent of risks arising from Financial Instruments

The Council's activities expose it to a variety of financial risks. The key risks are:

- credit risk – the possibility that other parties might fail to pay amounts due to the Council;
- liquidity risk – the possibility that the Council might not have funds available to meet its commitments to make payments;
- re-financing risk – the possibility that the Council might be requiring to renew a financial instrument on maturity at disadvantageous interest rates or terms.
- market risk – the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates movements.

The Council's overall risk management procedures focus on the unpredictability of financial markets and are structured to implement suitable controls to minimise these risks. The procedures for risk management are set out through a legal framework set out in the Local Government Act 2003 and associated regulations. These require the Council to comply with the CIPFA Prudential Code, the CIPFA Code of Practice on Treasury Management in the Public Services and Investment Guidance issued through the Act. Overall these procedures require the Council to manage risk in the following ways:

- by formally adopting the requirements of the CIPFA Treasury Management Code of Practice;
- by the adoption of a Treasury Policy Statement and treasury management clauses within its financial regulations/standing orders/constitution

- by approving annually in advance prudential and treasury indicators for the following three years limiting:
  - The Council's overall borrowing
  - The Council's maximum and minimum exposures to fixed and variable rates
  - The Council's maximum and minimum exposures to the maturity structure of its debt
  - The Council's maximum annual exposure to investments maturing beyond a year.
- by approving an investment strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparties in compliance with the Government Guidance.

These are required to be reported and approved at or before the Council's annual Council Tax setting budget or before the start of the year to which they relate. These items are reported within the annual investment and treasury strategy and prudential indicator reports which outline the detailed approach to managing risk in relation to the Council's financial instrument exposure. Actual performance is also reported after each year, as is a mid-year update.

The annual treasury management strategy which incorporates the prudential indicators was approved by Council on 15 February 2010 and is available on the Council website. The key issues within the strategy were:

- The Authorised Limit for the 2010-11 was set at £838.328m. This is the maximum limit of external borrowings or other long term liabilities.
- The Operational Boundary was expected to be £733.113m. This is the expected level of debt and other long term liabilities during the year.
- The maximum amounts of fixed and variable interest rate exposure were set at 100% and 30% respectively based on the Council's net debt.
- The maximum and minimum exposure to the maturity structure of debt is shown below.

	Upper Limit
Under 12 months	15%
12 months and within 24 months	15%
24 months and within 5 years	45%
5 years and within 10 years	75%
10 years and above	100%

These policies are implemented by a central treasury team. The Council maintains written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash through Treasury Management Practices (TMPs). These TMPs are a requirement of the Code of Practice and are reviewed regularly.

(a) Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers.

The risk is minimised through the Annual Investment and Treasury Strategy, which uses the creditworthiness service provided by Sector. This service uses a sophisticated modelling approach with credit ratings from all three rating agencies - Fitch, Moodys and Standard and Poors, forming the core element. However, it does not rely solely on the current credit ratings of counterparties but also uses the following as overlays:

- credit watches and credit outlooks from credit rating agencies
- CDS spreads to give early warning of likely changes in credit ratings
- Sovereign ratings to select counterparties from only the most creditworthy countries.

The Annual Investment and Treasury Strategy also considers maximum amounts and time limits in respect of each financial institution. Deposits are not made with banks and financial institutions unless they meet the minimum requirements of the investment criteria detailed in the Annual Investment Strategy.

The full Investment Strategy for 2010-11 was approved by full Council on 15 February 2010 and is available on the Council's website.

Customers for goods and services are assessed, taking into account their financial position, past experience and other factors, with individual credit limits being set in accordance with internal ratings in accordance with parameters set by the Council.

The Authority's maximum exposure to credit risk in relation to its investments in banks and building societies cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Authority's deposits, but there was no evidence at the 31 March 2011 that this was likely to crystallise.

The following analysis summarises the Council's potential maximum exposure to credit risk, based on experience of default and uncollectability over the last five financial years, adjusted to reflect current market.

	Amount at 31 March 2011	Historical experience of default	Adjustment for market conditions at 31 March 2011	Estimated maximum exposure at 31 March 2010	Estimated maximum exposure to default at 31 March 2011
	£000s	%	%	£000s	£000s
	A	B	C		(A x C)
Customers	75,141	1.00	1.00	765	751
TOTAL				**765**	**751**

Note: The table does not include the Council's share of ESPO's investment, which is included in the Balance Sheet as Leicestershire County Council invests these sums on behalf of ESPO. Details of risk for these sums are included in the accounts for Leicestershire County Council.

In October 2008 the Icelandic banking sector defaulted on its obligations. The Council had £32.5m invested in this sector at that time. In accordance with accounting practice the Council has been notified of objective evidence that impairment has occurred and the investments have been impaired according to accounting requirements. The impact of the principal invested has been mitigated in the accounts according to government regulation, although all related investment income has been fully impaired. Details of the impairment on these investments is shown in note 17 on page 119.

Whilst the current credit crisis in international financial markets has raised the overall possibility of default, the Council maintains strict credit criteria for investment counterparties.

No credit limits were exceeded during the reporting period and the Council does not expect any losses from non-performance by any of its counterparties in relation to deposits and bonds.

The Council does not generally allow credit for customers, such that £24.790m of the £75.141m balance is past its due date for payment. The past due but not impaired amount can be analysed by age as follows:

	31 March 2010 (Restated) £000s	31 March 2011 £000s
Less than three months	12,468	16,442
Three to six months	2,803	2,664
Six months to one year	3,464	1,909
More than one year	6,009	3,775
	24,744	**24,790**

The Council initiates a legal charge on property where, for instance, clients require the assistance of Social Services but cannot afford to pay immediately. The total collateral at 31 March 2011 was £2.708m.

(b) Liquidity Risk

The Council manages its liquidity position through the risk management procedures above (the setting and approval of prudential indicators and the approval of the annual investment and treasury strategy reports), as well as through cash flow management procedures required by the Code of Practice. This seeks to ensure that cash is available when it is needed.

The Council has ready access to borrowings from the money markets to cover any day to day cash flow need, and the PWLB and money markets for access to longer term funds. The Council is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

The maturity analysis of financial assets is as follows:

	31 March 2010 (Restated) £000s	31 March 2011 £000s
Less than one year	45,265	75,836
Between one and two years	10,640	3,092
Between two and three years	2,675	1,427
More than three years	7,900	5,216
	66,480	**85,571**

All trade and other payables are due to be paid in less than one year.

(c) Refinancing Risk

The Council maintains a significant debt and investment portfolio. Whilst the cash flow procedures above are considered against the refinancing risk procedures, longer term risk to the Council relates to managing the exposure to replacing financial instruments as they mature. This risk relates to both the maturing of longer term financial liabilities and longer term financial assets.

The approved treasury indicator limits for the maturity structure of debt and the limits placed on investments placed for greater than one year in duration are the key parameters used to address this risk. The Council approved investment and treasury strategies address the main risks and the central treasury team address the operational risks within the approved parameters. This includes:

- monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of the existing debt; and
- monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Council's day to day cash flow needs, and the spread of longer term investments provide stability of maturities and returns in relation to the longer term cash flow needs.

The maturity analysis of financial liabilities is as follows, with the maximum and minimum limits for fixed interest rates maturing in each period (approved by Council in the Treasury Management Strategy):

	Approved maximum limits	Approved minimum limits	31 March 2010 (Restated)	31 March 2011
			£000s	£000s
Less than one year	15%	0%	17,403	15,728
Between one and two years	15%	0%	8,668	13,862
Between two and five years	45%	0%	31,605	24,361
Between five and ten years	75%	0%	31,600	30,135
More than ten years	100%	0%	466,422	461,277
			555,698	**545,363**

The analysis does not include creditors due to be paid in less than one year, or the long term creditors as detailed in note 17 on page 119.

(d) Market Risk

Interest Rate Risk - The Council is exposed to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Council, depending on how variable and fixed interest rates move across differing financial instrument periods. For instance, a rise in variable and fixed interest rates would have the following effects:

- borrowings at variable rates – the interest expense charged to the Comprehensive Income and Expenditure Statement will rise;
- borrowings at fixed rates – the fair value of the borrowing liability will fall;
- investments at variable rates – the interest income credited to the Comprehensive Income and Expenditure Statement will rise; and
- investments at fixed rates – the fair value of the assets will fall.

Borrowings are not carried at fair value on the balance sheet, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus or Deficit on the Provision of Services or other Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance, subject to influences from Government Grants. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in the Other Comprehensive Income and Expenditure Statement.

The Council has a number of strategies for managing interest rate risk. The annual Treasury Management Strategy draws together the Council's prudential and treasury indicators and its expected treasury operations, including an expectation of interest rate movements. From this strategy a prudential indicator is set which provides maximum limits for fixed and variable interest rate exposure. The central treasury team will monitor market and forecast interest rates within the year to adjust exposures appropriately. For instance during periods of falling interest rates, and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long term returns, similarly the drawing of longer term fixed rates borrowing would be postponed.

If all interest rates had been 1% higher (with all variables held constant the financial effect would be:

	£000s
Increase in interest payable on variable rate borrowings	N/A
Increase in interest receivable on variable rate investments	731
Impact on surplus or deficit on the Provision of Services	731
Decrease in fair value of fixed rate investment assets	N/A
Impact on Other Comprehensive Income and Expenditure	0
Decrease in fair value of fixed rate borrowings liabilities (no impact on the surplus or deficit on the Provision of Services or Other Comprehensive Income and Expenditure)	69,311

The approximate impact of a 1% fall in interest rates would be as above but with the movements being reversed. These assumptions are based on the same methodology as used in the note – Fair value of assets and liabilities carried at amortised cost.

(e) Price Risk

The Council, excluding the pension fund, does not generally invest in equity shares or marketable bonds.

The Council does have shares in a wholly owned company (NORSE Group Ltd), Norwich Airport Ltd and in a local authority purchasing consortium operated by a joint committee. These holdings are illiquid and the Council is not exposed to movements in the price of the shares as these are not being traded, but would be subject to any change in fair value upon disposal.

(f) Foreign Exchange Risk

The Council has no financial assets or liabilities denominated in foreign currencies. It therefore has no exposure to loss arising from movements in exchange rates.

51. Foundation Schools

The Schools Standards and Framework Act 1998 changed the status of Grant Maintained Schools to Foundation Schools maintained by the local education authority. The change for funding purposes took effect from 1 April 1999. This change has resulted in the inclusion of opening and closing balances for current assets and liabilities controlled by Foundation Schools in this consolidated balance sheet.

Fixed assets and long term liabilities remain vested in the Governing Bodies of individual Foundation Schools, which are not required to be consolidated in this balance sheet. In this authority area for 2010-11 there were 27 Foundation Schools (30 in 2009-10). The reduction in Foundation Schools during 2010-11 is as a result of 3 Foundation Schools converting to Academy status.

52. Funds Administered for Third Parties

The Council has an arrangement to administer and invest funds on behalf of Norfolk Police Authority, Norfolk Probation Board, Norfolk Pension Fund, NPS Property Consultants Ltd and Norse Commercial Services Ltd. Details of the amounts invested for each of these bodies as at the end of the financial year are shown in the table below. These funds, in accordance with the Code, have been excluded from the County Council's balance sheet.

	31 March 2010 £000s	31 March 2011 £000s
Norfolk Police Authority	19,039	22,439
Norfolk Probation Board	364	1,476
Norfolk Pension Fund	7,337	6,487
NPS Property Consultants Ltd	887	1
Norse Commercial Services Ltd	2,597	632
	30,224	**31,035**

53. Trust Funds

The Council acts as sole or custodian trustee for 18 trust funds and as one of several trustees for a further 9 trust funds and also manages a number of bequests. None of these funds represent assets of the Council, and they have not been included in the Balance Sheet.

Funds for which Norfolk County Council acts as sole trustee:

Five of these trust funds have asset values over £10,000 and these are separately detailed in the table below. All of the other funds have been combined as a single line in the table.

	Balance at 31 March 2010	Income	Expenditure	Transferred	Balance at 31 March 2011
	£000s	£000s	£000s	£000s	£000s
The Jaqueline Magee Trust *	71	0	0	(71)	0
Provides grants, donations and musical equipment for the benefit of students					
Lord Kitchener (Mildred Tolman Bequest)	29	0	0	0	29
Provides grants to elderly people on low income for items, services or facilities					
Mrs D.E. Cole Deceased Trust	33	0	0	0	33
To provide financial assistance for welfare purposes					
Gissing (Former School) Charity	19	2	0	0	21
Promoting the education of persons under 25 who, or whose parents, are resident in Gissing and who are in financial need.					
359th Fighter Group *	14	0	0	(14)	0
Established to perpetuate the history of the 359th Fighter Group stationed at East Wrentham during World War II.					
Other Funds (sole trustee)	46	3	0	0	49

*During 2010-11 the balance of two trust funds were transferred into custody of other bodies.

Other funds:

The table shows a summary of trust funds where the Council is one of several trustees and for bequests managed by the Council. Four of these bequests have asset values over £10,000 and these are separately detailed in the table below. All of the other funds and bequests have been combined as single lines in the table.

	Balance at 31 March 2010	**Income**	**Expenditure**	**Balance at 31 March 2011**
	£000s	**£000s**	**£000s**	**£000s**
W Watts Bequest	85	0	(1)	84
Munhaven Residential Home				
H L Harris Bequest	46	0	(3)	43
Westfields Residential Home				
Mary Howson Bequest	19	0	(1)	18
Woodlands Residential Home				
E Hooton Bequest	9	0	0	9
Crossroads Day Centre				
Other Bequests	11	0	(3)	8
Other Funds (joint trustees)	18	0	0	18

Norfolk Fire Fighters Pension Fund Accounts

This section summarises the accounts of the Fire Fighters' Pension Fund for the year ending 31 March 2011. The accounts of the Fire Fighters Pension Fund have been prepared in accordance with the accounting policies as detailed in the Statement of Accounting Policies on page 58, except for transfer values, which have been included in the statement on a cash basis.

Fire Fighters Pension Fund Account for the year ended 31 March 2011

2009-10 £000s			2010-11 £000s
	Contributions receivable		
	• County Council		
(2,244)	- Contributions in relation to pensionable pay	(2,204)	
0	- Early retirements	0	
(1,231)	• Fire fighters' contributions	(1,219)	
(3,475)			(3,423)
(294)	Transfers in from other authorities		(318)
	Benefits payable		
4,974	Pensions	5,143	
2,278	Commutations and lump sums	717	
0	Lump sum death benefits	0	
7,252			5,860
	Payments to and on account of leavers		
0	Transfers out to other authorities	0	
0	Refunds of contributions	0	
3,483	Net amount payable for the year		2,119
(3,483)	Top up grant payable by the Home Office		(2,119)
0			0

Fire Fighters Pension Fund Net Assets Statement

31 March 2010 £000s		31 March 2011 £000s
1,652	Top up receivable from Home Office	0
0	Top up payable to Home Office	(323)
0	Creditor for additional commutations and lump sums	0
(1,652)	Amount owing to General Fund	323
0		0

The financial statements do not take account of liabilities to pay pensions and other benefits after the period end.

Notes to the Fire Fighters Pension Fund Accounts

1. Summary of Arrangements

The new Fire Fighters Pension Scheme was introduced on 1 April 2006.

Until April 2006 the Council was responsible for paying the pensions of fire officers who retired from the Fire Service on a 'pay as you go' basis. Pension arrangements for officers already employed by the service continue under the old scheme, unless they elect to transfer to the new scheme.

Under the new arrangements the Council was required to set up two Fire Fighters pensions accounts. Contributions from the Council (employer) and officers are paid into the new accounts. The employer contribution rate has been set at 21.3% of Fire Officers pensionable pay for the old scheme and 11% of Fire Officers pensionable pay for the new scheme. Pension payments are made from the new accounts, except for injury awards which are funded by the Council.

2. Grant Arrangements

The Norfolk Fire Fighters Pension Scheme is an unfunded, defined benefit scheme which means that there are no investment assets built up to meet the pensions liabilities, and cash has to be generated to meet actual pensions payments as they eventually fall due.

The account is balanced to nil each year by receiving cash in the form of a pension top-up grant from the Home Office. The underlying principle is that employer and officer contributions together will meet the full costs of pension liabilities being accrued by serving officers while Central Government provides for the costs of pensions paid to retired officers and their dependants. Should there be a surplus in the account this is repaid to the Home Office.

3. Pension Administration

The Council retains the responsibility for, and continues to administer and pay, fire officer pensions in accordance with the Fire Pension Regulations 1992 (old pension scheme) and 2006 (new pension scheme). The new arrangements have no impact on the benefit structure of the Norfolk Fire Fighters Pension schemes.

Norfolk Pension Fund Accounts

Introduction

This section provides details of the accounts of the Local Government Pension Fund for the year ending 31 March 2011.

The Local Government Pension Scheme is statutorily based and is governed by the Local Government Pension Scheme Regulations 1997 and subsequent amendments.

The full Pension Fund Accounts were considered by the Pensions Committee at its meeting on 20 September 2011 and will be incorporated in the Pension Fund Annual Report. A copy of the report will be placed on the Pension Fund's website www.yourpension.org.uk

Membership

The Local Government Pension Scheme (the Pension Fund) administered by the County Council provides pensions to staff employed by the County Council and the seven District Councils, other than teaching staff and fire fighters, who have their own pension schemes. There are a number of other organisations admitted to the Fund.

Membership of the Scheme is voluntary and eligible employees are free to choose whether to join the Scheme, remain in the Scheme or make their own personal pension arrangements outside of the Scheme.

As at 31 March 2011, the number of employees (from Norfolk County Council and the other employing authorities) contributing to the fund was 27,313. There were 17,563 people receiving pensions and 20,909 deferred pensioners.

Employing authorities, other than the County Council, are Scheduled Bodies, Resolution Bodies or Admitted Bodies.

- A Scheduled Body is an organisation, which is listed in the Pension Scheme Regulations, and its employees are able to join the Scheme as of right (e.g. a district council).
- A Resolution body is an organisation that has the right to join the Scheme if they choose to do so (e.g. a parish council).
- An Admitted Body is an organisation, which, under the Pension Scheme Regulations, is able to apply to the County Council to join the Scheme (e.g. a contractor providing services to a council). Upon acceptance, an Admission Agreement is prepared admitting the organisation and allowing its employees to join.

A full list of participating employers is shown on page 235.

Administration

Norfolk County Council (NCC) is the Administering Authority of the Norfolk Pension Fund, and administers the LGPS on behalf of participating employers.

- The Council has delegated its pensions functions to the Pensions Committee.
- The Council has delegated the responsibility for the administration and financial management of the Pension Fund to the Head of Finance.

Pensions Committee

The Pensions Committee is responsible for the strategic management of the assets of the Fund and the administration of benefits. The Committee meets quarterly in order to:

- Ensure compliance with legislation and best practise.
- Determine policy for the investment, funding and administration of the Fund.
- Monitor performance across all aspects of the service.
- Consider issues arising and make decisions to ensure efficient and effective performance and service delivery.
- Appoint and monitor advisors.

Ensure that arrangements are in place for consultation with stakeholders as necessary.

Actuarial Valuation

Hymans Robertson, the Fund's Actuary, carried out an actuarial valuation at 31 March 2010. In completing this valuation they have used a market related method which derives the financial assumptions by considering various yields in the 12 months leading to the valuation date which builds in an element of smoothing and stability for the future.

The key financial assumptions adopted at this valuation are set out below:

	Nominal % p.a	Real % p.a.
Investment Returns		
Investment Return (used to derive funding basis discount rate) (gilt return plus asset out performance assumption of 1.55% per annum)	6.1	2.8
Pay Increases (excluding increments)*	5.3	2.0
Price Inflation/Pension Increases	3.3	-

(**Nominal** is a rate of return expressed only in monetary terms i.e. not adjusted for inflation. **Real** is a return adjusted for inflation).

* 1% per annum for each of the three year period ended 31 March 2013.

Pensions Committee has approved an employer contribution rate stabilisation mechanism to reduce the volatility of employer contribution rates for many fund employers. Full details of this can be found in the Funding Strategy Statement. In addition for the majority of fund employers, employer contribution rates payable from 1 April 2011 are now expressed as a percentage of pensionable payroll plus an annual cash sum to recover any deficit identified by the Fund Actuary.

All rates are subject to review at the next actuarial valuation due at 31 March 2013. The employer contribution rates payable (plus cash sums as applicable) over the inter-valuation period are as follows:-

Year	Employer Contribution Rates (% of Payroll)
1 April 2011 to 31 March 2012	Range from 8.0 to 25.0
1 April 2012 to 31 March 2013	Range from 8.0 to 25.0
1 April 2013 to 31 March 2014	Range from 8.0 to 25.0

(For the period 1 April 2005 to 31 March 2008 the rates payable ranged from 7.8% to 31.5%).

The contribution rates are calculated by the Actuary to be sufficient to cover 100% of the Fund's liabilities over the longer term. The Common Rate of Contribution is 22.4% (previously 17.2%) of payroll. The contribution required from each employer is the Common Rate of Contribution plus or minus an individual adjustment, if appropriate, reflecting the circumstances of each employer.

At 31 March 2010 the Fund had total liabilities of £2,422 million (measured on the ongoing valuation basis) and held assets valued at £1,936 million. The shortfall of assets to liabilities was £486 million, equivalent to a funding level of 80%.

Contributions

Employees and employers contribute to the scheme. Employees' contributions are fixed in statute. The balance of the cost of funding their pensions is met by their employer and is determined by the Fund Actuary.

Employees:

Employee contribution rates are based on a system of salary bands. The contribution rate employees will pay depends on their salary. (Part time employees pay contributions based on the full-time equivalent of their salary). The bands are updated annually in line with the cost of living and are shown along with the contribution rates in the table below:

Full-time equivalent salary 2010-11	Full-time equivalent salary 2011-12	Contribution rate per year
£0 - £12,600	£0 - £12,900	5.5%
£12,601 - £14,700	£12,901 - £15,100	5.8%
£14,701 - £18,900	£15,101 - £19,400	5.9%
£18,901 - £31,500	£19,401 - £32,400	6.5%
£31,501 - £42,000	£32,401 - £43,300	6.8%
£42,001 - £78,700	£43,301 - £81,100	7.2%
£78,701 +	£81,101 +	7.5%

Employee contribution rates are prescribed by the governing regulations, and cannot be varied.

Employers:

The contribution rates paid by employers are variable and are determined by the Pension Fund's Actuary. Details of employer contribution rates are shown in the summary of the Actuarial Valuation above.

Statement of Accounting Policies

1. Basis of Preparation

These accounts have been prepared in accordance with the 2010 SORP 'A Code of Practice on Local Authority Accounting in Great Britain', itself based upon International Accounting Standards (IFRS). The Code also incorporates elements of 2007 SORP "Financial Reports of Pension Schemes".

This is the first year of preparation that the Code has incorporated the requirements of IFRS. The introduction of IFRS has not had a material impact on these accounts and therefore a comparative restated net assets statement at 1 April 2009 or 31 March 2010 or a fund account for the year ended 31 March 2010 has not been prepared.

The accounts summarise the transactions and net assets of the Scheme. They do not, however, take account of liabilities to pay pensions and other benefits in the future. Information regarding the present value of the future obligation to pay pension benefits (pension liabilities) is included at note 19.

2. Basis of Accounting

The accounts have been prepared on the normal accruals basis of accounting other than in respect of transfer values.

Generally, Transfer Values are prepared on a cash basis. Where a transaction in respect of a transfer out has already been processed through the pensions administration system but not through the accounts payable system a creditor will be shown.

3. Basis of Valuation of Investments

Investments are shown in the accounts at market value, which has been determined as follows:-

- Investments are included at market value.
- Acquisition costs are added to the book cost of investments at the time of purchase. Sales costs are deducted from proceeds at the time of disposal.
- The majority of listed investments are stated at the bid price or the last traded price, depending on the convention of the stock exchange on which they are quoted, at the date of the net assets statement.
- Fixed interest securities are stated at their clean prices. Accrued income is accounted for within investment income.
- Unquoted securities are included at fair value based on advice from the investment manager.
- Private equity partnership interests are valued at fair value in accordance with the General Partners investment valuation policy. In establishing fair value the General Partner will have regard to US GAAP and International Private Equity and Venture Capital Valuation Guidelines in the case of HarbourVest or the European Venture Capital Association "EVCA" guidelines for reporting and accounting and UK GAAP in the case of Standard Life. The Fund invests as a limited partner on a "fund-of-funds" basis. The fund-of-fund managers (the general partners) retain the discretion to use a lower valuation than the

underlying fund manager when they consider this to be appropriate.

- Derivatives are stated at market value.

  Exchange traded derivatives are stated at market values determined using market quoted prices.

  For exchange traded derivative contracts which are assets, market value is based on quoted bid prices. For exchange traded derivative contracts which are liabilities, market value is based on quoted offer prices.

  Forward foreign exchange contracts are valued by determining the gain or loss that would arise from closing out the contract at the reporting date by entering into an equal and opposite contract at that date.

  All gains and losses arising on derivative contracts are reported in "Change in Market Value".

4. Foreign Currency Translation

Balances denominated in foreign currencies are translated at the rate ruling at the net asset statement date. Transactions denominated in foreign currencies are translated at the rate ruling at the date of the transaction. Differences arising on investment balance translation are accounted for in the change in market value of investments during the year.

5. External Fund Manager Fees

The External Fund Managers fees are paid in accordance with the terms of each individual Management Agreement. Fees are based on the market value of the portfolio managed. Any performance fee is paid after investment performance has been measured against a bespoke benchmark.

Manager fees are accounted for on an accruals basis including an allowance for performance fees payable after the balance sheet date but relating to performance achieved in the reporting period.

6. Investment Income

- Dividends from quoted securities are accounted for when the security is declared ex-div.
- Interest is accrued on a daily basis.
- Investment income is reported gross of withholding taxes which are accrued in line with the associated investment income. Irrecoverable withholding taxes are reported separately as a tax charge.
- Investment income arising from the underlying investments of certain pooled investment vehicles is retained within the vehicle and reflected in the unit price. It is reported within "Change in Market Value".

7. Property

The Fund holds one direct property investment; all other property investments are made through Pooled Investment Vehicles.

The most recent valuation of the direct property investment was at 31 March 2010 in accordance with the RICS Appraisal and Valuation Manual 6th edition as published by the Royal Institution of Chartered Surveyors and is in accordance with existing CIPFA guidance. The valuation was undertaken by NPS Property Consultants Ld and the surveyor was MRICS qualified. NPS Property Consultants

Ltd is an employer within the Norfolk Pension Fund and the surveyor that undertook the valuation is a contributing member of the Fund.

8. Contributions

Employee normal and additional contributions are accounted for when deducted from pay. Employer contributions are accounted for on the same basis as they are expressed in the rates and adjustment certificate to the relevant formal valuation.

Employer payments in respect of augmentation and strain are accounted for in the period in which they become due.

9. Payments to Members

Benefits to members are accounted for in the period in which they become due.

Individual transfers in or out are accounted for when paid or received which is normally when the member liability is accepted/discharged.

Bulk (group) transfers are accounted for in accordance with the terms of the transfer agreement.

10. Administration & Third Party Advisor Expenditure

Administration expenditure is accounted for on the accruals basis.

Revenue and Fund Account for the year ended 31 March 2011

2009-10 £000s	Note		2010-11 £000s
		Dealings with members, employers and others directly involved in the scheme	
		Contributions receivable	
27,819	1	Employees normal contributions	28,324
1,144	1	Employees purchase of additional scheme benefits	1,113
75,435	1	Employers normal contributions	77,440
395	1	Employers special contributions	11,974
406		Employers re:augmentation	394
1,852		Employers re:strain on fund reimbursement	4,901
23,385	2	Transfer Values Received	43,090
130,436			**167,236**
		Benefits payable	
(67,805)	3	Pensions payable	(72,840)
(17,946)		Commutation of pensions and lump sum retirement benefits	(26,773)
(881)		Lump sum death benefits	(1,320)
(86,632)	4		**(100,933)**

		Payments to and on account of leavers	
(11,256)	5	Transfers out	(6,790)
(12)		Refunds of contributions	(17)
(1)		N.I. adjustments on refunded premiums	(1)
(11,269)			**(6,808)**
		Other payments	
(172)		Third party advisor fees	(256)
(1,763)	6	Administration expenses	(1,800)
(1,935)			**(2,056)**
30,600		**Net additions/(withdrawals) from dealings with members**	**57,439**
		Returns on investments	
49,612	7	Investment income	46,205
(119)		Taxation – irrecoverable withholding tax	(288)
385,291		Change in market value of investments	120,989
(7,184)	8	Investment expenses	(7,736)
427,600		**Net returns on investments**	**159,170**
458,200		Net increase/(decrease) in the fund during the year	216,609
1,476,379		Opening net assets of the scheme	1,934,579
1,934,579		**Closing net assets of the scheme**	**2,151,188**

Net Assets Statement at 31 March 2011

2009-10 £000s	Note		2010-11 £000s
1,936,068		Investment assets	2,128,922
(20,999)		Investment liabilities	(9,439)
1,915,069	10		**2,119,483**
0	12	Long term Debtors	10,557
0			**10,557**
		Net current assets and liabilities	
18,247	12	Debtors	19,540
7,285		Cash in hand	6,312
25,532			**25,852**
(6,022)	13	Creditors	(4,704)
(6,022)			**(4,704)**
19,510		**Net Current Assets**	**31,705**
1,934,579		**Net Assets of the Fund**	**2,151,188**

The financial statements do not take account of liabilities to pay pensions and other benefits after the period end. The ability to meet these future liabilities is considered by the Fund Actuary as part of the triennial formal valuation process. Information relating to the valuation of these liabilities is shown on page 197.

The market value of the assets held by each manager, at balance sheet date, are shown below:-

	£m	%
Fidelity Pensions Management	399.2	18.8
Capital International Limited	369.6	17.4
L&G	313.8	14.8
Aviva Investors	248.5	11.7
Baillie Gifford & Co	199.2	9.4
Henderson Global Investors	191.8	9.0
M&G	115.4	5.5
Goldman Sachs Asset Management *	101.4	4.8
Standard Life	94.3	4.5
HarbourVest Partners	62.0	2.9
Northern Trust *	24.3	1.2
	2,119.5	**100**

* The assets held by Northern Trust represent cash held in a money market fund to meet the cash flow requirements of the Funds private equity commitments, cash held awaiting property investment and the value of the forward currency contracts held in respect of the passive currency hedging programme. The total shown for Goldman Sachs covers both the active currency and absolute return fixed interest mandates.

54. Reconciliation of Movements in Investments for the Year Ended 31 March 2011

	Market value at 31 March 2010 £000s	Purchases at cost and derivative payments £000s	Sales proceeds and derivative receipts £000s	Change in market value Realised £000s	Change in market value Unrealised £000s	Market value at 31 March 2011 £000s
UNITED KINGDOM						
Fixed Interest Securities – Other	57,720	8,087	(1,848)	14	(854)	63,119
Index-Linked Securities – Public Sector	34,961	48,136	(45,496)	1,168	1,282	40,051
Index-Linked Securities - Other	524	0	(538)	14	0	0
Quoted Equities (inc Convertibles)	420,610	44,821	(290,930)	(3,709)	18,826	189,618
Property Pooled Investment Vehicles	182,789	58,506	(11,464)	(4,672)	18,778	243,937
Other Managed Funds	790,812	411,694	(108,334)	17,475	64,705	1,176,352
Direct Property	395	0	0	0	0	395
Derivatives – Futures	(45)	455	(4,317)	3,907	(1,543)	(1,543)
Derivatives – Foreign Exchange	275	19,248	(25,399)	5,875	(1,767)	(1,768)
	1,488,041	**590,947**	**(488,326)**	**20,072**	**99,427**	**1,710,161**
OVERSEAS						
Fixed Interest Securities – Public Sector	539	0	0	0	(19)	520
Fixed Interest Securities – Other	47,342	1,962	(553)	14	(1,344)	47,421
Index-Linked Securities	0	1,704	(1,789)	85	0	0
Quoted Equities (inc Convertables)	305,083	155,692	(145,234)	14,819	(14,946)	315,414
	352,964	**159,358**	**(147,576)**	**14,918**	**(16,309)**	**363,355**
OTHER						
Cash Deposits	71,609	0	(22,012)	0	0	49,597
Other Investment Balances (net amounts receivable/(payable))	2,455	0	(8,966)	0	2,881	(3,630)
	74,064	**0**	**(30,978)**	**0**	**2,881**	**45,967**
TOTAL INVESTMENTS	**1,915,069**	**750,305**	**(666,880)**	**34,990**	**85,999**	**2,119,483**

Notes to the Accounts

1. Contributions received

Contributions are receivable from employing bodies in respect of their own and their pensionable employees' contributions as follows:

	2009-10	2010-11
	£000s	**£000s**
Employee contributions		
Norfolk County Council	15,203	15,645
Scheduled and Resolution Bodies	11,735	12,006
Admitted Bodies	2,025	1,786
	28,963	**29,437**
Employer contributions		
Norfolk County Council	38,743	40,831
Scheduled and Resolution Bodies	29,860	43,357
Admitted Bodies	7,227	5,226
	75,830	**89,414**
Total	**104,793**	**118,851**

Special contributions represent amounts paid by employers in excess of the minimum contribution levels required by the Actuary in the Rates and Adjustment Certificate to the applicable triennial valuation and to termination settlements agreed by scheduled bodies ceasing participation in the Fund. They do not relate to augmentation and strain arising on non ill-health early retirements

Where applicable the actuarial certification of the employers contribution rate (expressed as a percentage of payroll) includes an element in respect of deficit funding estimated to recover the deficit on that employers section of the Fund over an agreed period. Based on the employers contribution rate arising from the applicable triennial valuation the deficit recovery contributions included in the employers normal contributions were £11.4 million (2009-10 £10.1 million)

2. Transfers in

The transfers in figure represents the payments received by the Fund in relation to individual members transfers of benefit into the Fund from other pension arrangements and two bulk transfer settlements received in the year from the Cambridge County Council Pension Fund in respect of employees transferred to the College of West Anglia, and the Suffolk County Council Pension Fund in respect of employees transferred to the Norfolk and Suffolk Probation Trust.

	2009-10	2010-11
	£000s	£000s
Bulk transfers in from other schemes	8,724	27,464
Individual transfers in from other schemes	14,661	15,626
Total	**23,385**	**43,090**

With effect from 1 April 2005 the Magistrates Courts Service (a body participating in the Norfolk Pension Fund) became part of the civil service. Terms have been agreed for the transfer of liabilities from all Local Government Pension Schemes (LGPS) to the Principal Civil Service Scheme (PCSPS). Each affected LGPS fund's actuary has determined the value of the pensioner and deferred liabilities remaining with the LGPS and calculated the requirement for sufficient retained assets to match these liabilities. If the Actuary has determined that insufficient assets remain to cover the remaining liabilities a balancing payment is required to the Fund by the Civil Service (Her Majesty's Courts Service), spread over ten annual instalments.

The final calculation has now been completed. This requires ten payments of £1.404 million to the Norfolk Pension Fund, commencing in April 2011. The discounted value of these cash flows is included in debtor balances at the year-end. The total present value of these payments is calculated as £11.961 million. As the payment is being made direct by the sponsoring government department rather than from the PCSPS (a registered pension scheme), the income has been classified as employer special contributions.

The Fund Actuary is currently negotiating on one further group transfer into the Fund from another LGPS fund and one transfer out to the NHS Pension Scheme. Terms have still to be finalised in both cases.

3. Pensioners and Dependants – benefits payable

	2009-10	2010-11
	£000s	£000s
Employees' pensions	61,995	66,904
Widows and widowers pensions	5,698	5,815
Children's pensions	112	121
Total	**67,805**	**72,840**

4. Scheme benefits payable by the body

	2009-10	2010-11
	£000s	£000s
Norfolk County Council	40,668	47,927
Scheduled and Resolution Bodies	39,171	43,586
Admitted Bodies	6,793	9,420
Total	**86,632**	**100,933**

5. Transfers Out

	2009-10	2010-11
	£000s	£000s

Individual Transfers out to other Schemes	11,256	6,790
Total	**11,256**	**6,790**

6. Administration Expenses

The Local Government Pension Scheme Regulations enables administration expenses to be charged to the Fund.
In the year to 31 March 2011 £1,800,000 has been charged to the Fund (2009-10 £1,763,000) for administration expenses. In addition advisor fees of £256,000 have been charged (2009-10 £172,000).

Included within administration and advisory fees are the following:

	2009-10	**2010-11**
	£000s	**£000s**
External Audit Fees	64	45
Internal Audit Fees	29	30
Actuarial Fees	55	122
Investment Consultancy Fees	102	120
Legal Fees	36	27
External Accountancy and Tax Advice	13	3

The external audit fee in respect of 2008-09 excluded a retrospective fee adjustment of £20,000. While this related to the 2008-09 audit, the fee was paid during 2009-10.

Legal Fees represent the total cost of internal advice provided by the Legal Department of the Administering Authority and third party advice from external providers.

Internal Audit Services are provided by Norfolk Audit Services, the internal audit function of the Administering Authority.

7. Investment Income

	2009-10 £000s	2009-10 £000s
(a) Arising from securities		
Fixed Interest Gilts	1,299	0
Fixed Interest Index Linked	690	584
Fixed Interest - UK Quoted	3,177	3,626
UK Equities	12,826	8,434
Overseas Fixed Interest	1,558	2,462
Overseas Index Linked	11	1
Overseas Equities	7,482	8,824
Pooled Investment Vehicles	11,022	9,050
Property Pooled Investment Vehicles	7,063	9,036
Total arising from securities	**45,128**	**42,017**
(b) Arising from non dealing activities		
Interest Receiveable	756	321
Pooled funds rebate	3,542	3,590
Stock lending	98	211
Commission recapture	13	11
Class Action Recoveries	71	55
Other miscellaneous income	4	0
Total arising from non dealing activities	**4,484**	**4,188**
Total Investment Income	**49,612**	**46,205**

8. Investment Expenses

	2009-10 £000s	2010-11 £000s
Management fees	7,056	7,624
Custody fees	128	112
Total	**7,184**	**7,736**

Included in the investment purchases and sales in the Reconciliation of Movement in Investments are transaction costs of £0.566 million (2009-10 £1.115 million). Costs are also borne by the scheme in relation to transactions in pooled investment vehicles. However such costs are taken into account when calculating the valuation of these vehicles and are not therefore separately identifiable.

9. Stock Lending

Stock Lending is a programme of lending eligible securities, such as domestic and overseas equities, corporate bonds, and sovereign government securities, from the portfolios of participating clients to approved borrowers, in return for a fee.

The Fund's stock lending programme is managed by the Global Custodian (Northern Trust).

All loans are fully collateralised with government securities, bank letters of credit, certificates of deposit or UK equities settled in CREST. Northern Trust provides certain additional indemnifications as part of the lending agreement with them, to protect the Fund in the event of a borrower default coupled with a collateral shortfall relative to the defaulting position.

The value of stock on loan at 31 March 2011 was £47.3 million (2009-10 £38.9 million). This was secured by collateral with a market value of £51.0 million (2009-10 £41.0 million). The value of the collateral held at 31 March 2011 relative to the stock on loan was 108% (2009-10 105%).

The maximum value of stock that may be on loan is £150 million and an individual borrower limit (applied at the parent borrower level) of £25 million is applied.

The table following provides an analysis of the securities on loan at 31 March 2011.

Asset Type	**Value on loan at 31 March 2011 £000s**
UK Equities	11,392
Overseas Equities	16,651
Securities - Corporate Bonds	9,921
Securities - Sovereign Government Bonds	9,317

At 31 March 2011 securities were on loan to 14 separate borrowers representing ten parent groups. The largest single parent exposure was 19% of the lending programme

10. Investment Assets, Derivatives and Currency Hedging

A full analysis of investments is provided in the Reconciliation of Movements in Investments, shown on page 206.

a) Pooled vehicles

All fund managers operating the pooled vehicles are registered in the United Kingdom with the exception of the Capital International Emerging Markets Fund, private equity fund-of-funds managed by HarbourVest and the certain property funds within the Aviva portfolio. The entities operating the Capital and HarbourVest Funds have Swiss and US registration respectively. The managers of the overseas funds within the Aviva portfolio have registrations in Australia, Gurnsey, Ireland Jersey, Luxembourg and the United States. The pooled vehicle entities used by the Fund Managers maybe registered in overseas jurisdictions.

b) Currency Hedging

In order to maintain appropriate diversification and to take advantage of overseas investment returns, a significant proportion of the Funds quoted equity benchmark is formed by overseas (ex-UK) stock markets. To reduce the volatility associated with fluctuating currency rates and the impact on Sterling valuations, the Fund has a passive currency programme in place managed by the Global Custodian. The programme hedges a proportion (60%) of the US Dollar, Euro and Yen exposure within the portfolios managed by Capital and Fidelity, and most recently the Sarasin portfolio funded during May 2011.

The Fund requires Aviva to hedge 100% of the currency exposure arising from its discretionary (off-benchmark) investments in global (ex UK) property funds. Similarly the Fund requires M&G to hedge 100% of the non-Sterling currency exposure within its fixed interest portfolio.

Henderson is able to use forward foreign exchange contracts as a discretionary tool within the management of their fixed interest portfolios.

In addition to the examples above short term contracts may also arise in portfolios investing in non-Sterling denominated assets as a consequence of the need to settle transactions in foreign currencies. These tend to be shorter term contracts than those undertaken for other purposes but settlement may span the balance sheet date.

The Funds net exposure on open forward foreign exchange contracts at 31 March 2011 was a net payable of £1.8 million (2009-10 net receivable £0.3 million). Details of the underlying contracts are provided in the table below:

Settlement Date	Number of Contracts	Currency Bought £000s	Currency Sold £000s	Aggregate Asset £000s	Aggregate Liability £000s
Less than 3 months	6	£175,690	$283,652	-	1,462
Less than 3 months	5	£150,764	€174,175	-	3,363
Less than 3 months	2	£78,429	¥9,968,250	3,274	-
Less than 3 months	1	$32	£20	-	-
Less than 3 months	1	£6,639	AUD 10,680	-	211
Less than 3 months	1	£210	HKD 2,632	-	1
Less than 3 months	1	£517	CHF 764	-	4

Contracts with a common underlying currency profile and similar maturity profile have been amalgamated for the purpose of disclosure. A key to the currencies referred to in the table is provided below.

Symbol or Acronym	**Currency**
£	British Pound (Sterling)
€	Euro
¥	Japanese Yen
$	United States Dollar
AUD	Australian dollar
CHF	Swiss Franc
HKD	Hong Kong Dollar

Fund Managers maybe registered in overseas jurisdictions.

c) Derivatives (futures)

Futures contracts are exchange traded contracts to buy or sell a standard quantity of a specific asset at a pre-determined future date now. There are many types of futures contracts including equities, bonds and interest rate. The Fund has authorised the use of index futures by Henderson and M&G to assist in meeting the investment objectives that have been set. Henderson did not hold any future contracts at 31 March 2011.
The open index futures at 31 March 2011 are shown in the table below:

Type	**Number of contracts**	**Expiry**	**Economic Exposure**	**Asset**	**Liability**
			£000s	**£000s**	**£000s**
UK Gilt Exchange Traded (sold)	3	Within one year	(129,024)	-	1,543

The economic exposure represents the notional value of the securities purchased under the futures contract and therefore both the economic exposure and the market value of the contract are subject to market movement.

Included within cash balances is £3,502,000 (2009-10 £137,000) in respect of initial and variation margins arising on open futures contracts at the year end.

d) Largest holdings

During the year no individual investment (a single security) exceeded 5% of the total value of the net assets. Three pooled holdings do represent over 5% of the total value of the net assets of the scheme.

Holding	Investment Type	2009-10		2010-11	
		£m	% of fund net assets	£m	% of fund net assets
Fidelity Institutional Exempt America Fund	Open Ended Fund (overseas equities)	126.7	6.6%	131.3	6.1%
Fidelity Institutional Europe Fund	Open Ended Fund (overseas equities)	114.0	5.9%	121.4	5.7%
Legal & General UK Equity Index Fund	Managed Fund Policy (UK Equities)			313.8	14.6%

Each holding is a pooled investment vehicle. The underlying holdings of the America Fund comprised 292 stocks at 31 March 2011 (2009-10 307). The Europe Fund comprised 78 holdings at the same date (2009-10 53). At 31 March 2011 the UK Equity Index Fund held 619 stocks compared with 620 in the equity index that it tracks (FTSE all-share). This Fund was not held at 31 March 2010. The investment is a unit linked contract of long term insurance ("the policy") issued by Legal & General Assurance (Pensions Management) Limited ("PMC"), to which units are allocated in the range of pooled investment funds operated as portfolios of assets ("PF Sections). The policy falls within Class II of Part II of Schedule 1 to the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001, and is not a "with profits" contract. The value of the units in a PF Section are directly linked to the assets legally and beneficially owned by PMC and held in that PF section and units may be surrendered and their value realised in accordance with the conditions applying to the Policy (including at PMC's discretion, by a transfer of assets in specie). The value is incorporated into the net asset statement within other managed funds. The underlying assets are predominantly quoted UK equities but may also include uninvested cash and futures.

Within the Reconciliation of the Movements in Investments the following investments represented more that 5% of the asset class or type at 31 March 2011.

Holding/Investment Type	31 March 2011 £m	% of asset class or type
United Kingdom – Index Linked Public Sector		
UK Government Index Linked 1.125% 22/11/37	2.5	6.2%
UK Government Index Linked 1.25% 22/11/27	6.8	6.8%
UK Government Index Linked 1.25% 22/11/55	5.3	13.3%
UK Government Index Linked 1.875% 22/11/22	3.7	9.3%
UK Government Index Linked 2% 26/01/35	2.9	7.4%
UK Government Index Linked 2.5% 16/04/20	4.2	10.4%
UK Government Index Linked 2.5% 17/07/24	4.5	11.4%
UK Government Index Linked 2.5% 26/07/16	3.9	9.8%
UK Government Index Linked 1.25% 22/11/32	3.9	9.8%
United Kingdom – Quoted Equities		
BG Group	12.0	6.3%
Property Pooled Investment Vehicles		
Aviva Investors Pension Property Fund	21.0	8.6%
Blackrock UK Property Fund	17.5	7.2%
Industrial Property Investment Fund	13.7	5.6%
Rockspring Hannover Property Trust	13.6	5.6%
Standard Life Pooled Property Fund	15.0	6.2%
Threadneedle Property Unit Trust	14.5	5.9%
Lothbury Property Fund	14.7	6.0%
Other Managed Funds		
Henderson Long Dated Credit Fund	86.7	7.4%
Goldman Sachs Strategic Absolute Return Bond Fund	87.1	7.4%
Legal & General UK Equity Index Fund	313.8	26.7%
Fidelity Institutional Exempt America Fund	131.3	11.2%

Fidelity Institutional Europe Fund	121.4	10.3%
Fidelity Institutional Japan Fund	65.6	5.6%
Direct Property		
Hamlin Way, King's Lynn	0.4	100%
Derivatives - Futures		
June 2011 Long GILT Future	-0.4	26.4%
June 2011 Medium GILT Future	-1.1	70.5%
Overseas – Fixed Interest Public Sector		
Kingdom of Sweden 9.75% 2014 Loan Stock	0.5	100%

(e) Analysis of Other Managed Funds

Other Managed Funds disclosed in the Reconciliation of the Movements in Investments comprise the following:

	2009-10	**2010-11**
	£000s	**£000s**
Unit Trusts	126,720	131,276
Other Managed Funds	664,092	731,244
Unitised Insurance Policies	0	313,832
Total	**790,812**	**1,176,352**

(f) Analysis of Investment Liabilities

	2009-10 £000s	2010-11 £000s
Amounts Payable for Purchases	18,901	2,459
Forward Foreign Exchange Liability	2,053	5,041
Futures Liabilities	45	1,543
Broker Balance Due	0	396
	20,999	**9,439**

11. Other Investment Balances

Net Amounts Receivable / (Payable) for the Purchase and Sale of Investments comprise the following:

	31 March 2011 £000s
Amounts receivable	992
Amounts payable	(2,855)

Certain investment receivables and payable are included in creditors and debtors within current assets and liabilities. A breakdown of these balances is provided in notes 12 and 13 below.

12. Debtors

An analysis of debtors shown in the Net Assets statement is given below:

	2009-10 £000s	2010-11 £000s
Pooled Funds Rebate Due	929	777
Dividends Receivable	6,054	5,162
Overseas Tax Receivable	1,068	416
Lump Sum Prepayments	326	998
UK Tax Receivable	53	75
Contributions Due – Employers*	5,902	6,080
Contributions Due – Employees*	2,272	2,311
Employers Special Contributions – agreed liability settlement due from central government body	0	1,404
Interest Due	40	25
VAT Refund Due	141	130
Stock Lending/Commission Recapture	10	7
Recharge of Fees	39	19
Augmentation / Strain Due	1,395	2,115
Sundry Debtors	18	21
Total	**18,247**	**19,540**

* Principally represents amounts due in respect of March payrolls but payable the following month.

Long Term Debtors

	2009-10 £000s	2010-11 £000s
Employers Special Contributions – agreed liability settlement due from central government body	0	10,557
Total	**0**	**10,557**

Analysis by Debtor organisation

	2009-10 £000s	2010-11 £000s
Central Government Bodies	1,281	12,590
Other Local Authorities	7,340	8,011
Other organisations	9,626	9,496
	18,247	**30,097**

13. Creditors

An analysis of creditors shown in the Net Assets statement is given below:

	2009-10 £000s	2010-11 £000s
Investment Management fees	1,811	1,530
Other fees & charges	1,893	1,878
Transfers out	689	114
Lump sum	821	224
Pensions due	59	2

UK tax	690	760
Employer prepayment of contributions	21	193
Sundry creditors	38	3
Total	**6,022**	**4,704**

Analysis by Creditor organisation

	2009-10	**2010-11**
	£000s	**£000s**
Central Government Bodies	699	806
Other Local Authorities	2,053	1,856
Other organisations	3,270	2,042
	6,022	**4,704**

14. Related Party Transactions

Related party transactions which require disclosure are:

Surplus pension fund cash holdings are invested on the Sterling money markets by the treasury management operations of Norfolk County Council, through a Service Level Agreement. During the year to 31 March 2011, the Pension Fund had an average investment balance of £12.1 million (2009-10 £12.1 million) earning interest of £95,000 (2009-10 £80,000).

15. Additional Voluntary Contributions (AVC's)

The fund has three in-house AVC providers; Prudential, Clerical Medical and Equitable Life (legacy arrangement that is not open to new contributors). The value of AVC investments is shown below:

	£000s
Value at 1 April 2010	5,271
Contributions and transfers received	412
Investment return	272
Paid out	(934)
Value at 31 March 2011	**5,021**

These contributions are held by the providers and do not form part of the fund's assets. These amounts are not included in the main Fund accounts in accordance with Regulation 4 (2) (b) of the Pension Scheme (Management and Investment of Funds) Regulations 2009.

Members participating in these arrangements receive an annual statement at 31 March showing the amount held in their account and the movements in the year.

Contributions are deducted from member salaries by their employer and paid directly to the AVC providers. AVCs may be used to fund additional retirement benefits or to purchase additional life cover above that provided by the main scheme.

Upon retirement the value of an individual AVC Fund may be used in some or all of the following ways depending on the circumstances of the contributing member:

- Buy an annuity from a third party provider.
- Buy a top-up LGPS pension.
- Take some or the entire AVC fund as cash if within the limits set down in the Scheme rules and by the Inland Revenue.
- Under certain specific circumstances buy extra membership within the LGPS.

16. Employers Strain/Augmentation

Strain Costs

Pension benefits are funded to be paid from normal retirement age. If any employee is allowed to take their pension benefits early this places an additional cost (strain) on the Pension Fund. Employers are required to reimburse the Pension Fund in respect of the “strain costs” arising from an employee taking early retirement. The cost can be paid in full at the date of retirement or by instalments over 3 years in which case interest is added.

Augmentation

The LGPS provides scope for employers to award additional years of membership on retirement. If an employer opts to award augmented membership he is required to purchase the additional period from the Pension Fund. Again the cost can be paid in one instalment or over 3 years with an appropriate interest adjustment.
The outstanding instalments due after 31 March 2011 were:

Strain Costs	£140,000	Augmentation	£nil

The debtors figure for augmentation/strain due in note 12 comprises the total of these balances plus the outstanding invoiced balances in respect of augmentation/strain due from Fund employers at 31 March 2011.

17. Statement of Investment Principles

Local Authority Pension Funds are required to publish a Statement of Investment Principles (SIP). This statement is available on the pension fund website: - www.norfolkpensionfund.org.

18. Contingent Liabilities and Contractual Commitments

At 31 March 2011 the Fund had made contractual commitments to private equity funds managed by Standard Life and HarbourVest. Commitments are made in the underlying currency of the fund (Euros and Dollars respectively) and are therefore subject to volatility (risk) arising from exchange rate fluctuation. This volatility will impact both on the value of unfunded commitments in Sterling terms and the valuation of the funded interest and monies received as distributions.

The Fund’s private equity programme is relatively immature. At 31 March 2011 the unfunded commitment (monies to be drawn in future periods) was £99.4 million. The commitments are paid over the investment timeframe of the underlying partnerships. Concurrently as these partnerships mature they distribute capital back to investors.

The current value of the funded commitment net of distributions in these funds at 31 March 2011 is included in the net asset statement.

In addition to the private equity commitments, within the Aviva property portfolio there are unfunded commitments of £16.5 million to various property investment vehicles. This total includes Sterling, Euro and US Dollar denominated commitments to six underlying funds. The foreign exchange exposure on the funded portion of these positions is hedged within the Aviva portfolio but the unfunded commitments are impacted by exchange rate volatility.

19. Actuarial Position

The accounts summarise the transactions and net assets of the Fund, they do not take account of future liabilities to pay pensions and other benefits.

The Actuary carries out a formal valuation of the Fund's assets and liabilities every three years. The last formal triennial actuarial valuation was carried out as at 31 March 2010. The valuation report sets out the rates of the employer's contributions for the three years starting 1 April 2011 and is available from www.norfolkpensionfund.org.

The valuation was based on:

- meeting the requirements of the Local Government Pension Regulations;
- 100% funding of future liabilities for service completed to 31 March 2010;
- the "projected unit method" of actuarial valuation for employers that continue to admit new entrants and the "attained age method" employers who no longer admit new entrants.
- projected total investment returns for the Fund of 6.1% per annum, investment returns for government bonds ("gilts") of 4.5% per annum, long term increases in future salaries of 5.3% per annum (1% per annum for the three years to 31 March 2013) and for pensions increases of 3.3% per annum.;
- the value of the Fund's assets, which was £1,936 million as at 31 March 2010;
- the actuarial assessment of the Fund's liabilities, which was £2,422 million as at 31 March 2010 on the ongoing funding basis.

The valuation showed that the Fund's assets covered 80% of its liabilities at the valuation date, and the deficit based on the actuarial valuation was £486 million. The Actuary has set employer contribution rates payable from 1 April 2011 to recover the deficit over future periods.

Under IAS26 the Fund is required to disclose the actuarial present value of promised retirement benefits. These represent the present value of the whole fund liabilities to pay future pension benefit. The valuation of these liabilities has been carried out by Hymans Robertson using similar assumptions to the prescribed approach for participating employers that report pension obligations under IAS19. For the avoidance of doubt this approach will result in a different valuation of liabilities to the ongoing funding basis used in the formal valuation.

The balance sheet liability position under this approach is as follows:

	2009-10 £000s	2010-11 £000s
Present value of promised retirement benefits	£2,839,000	£2,683,000
	£2,839,000	**£2,683,000**

Liabilities have been projected using roll forward approximation from the latest formal funding valuation at 31 March 2010. The assumptions used are as follows:

Financial Assumptions

	31 Mar 2010	31 Mar 2011
Inflation/Pension Increase Rate	3.8%	2.8%
Salary Increase Rate	5.3%	5.1%*
Discount Rate	5.5%	5.5%

*Salary increases are 1% per annum for the three year period ended 31 March 2013 reverting to the long term rate of increase thereafter.

Mortality

Life expectancy is based on the bespoke “VitaCurves” prepared for the Fund with improvements in line with the Medium Cohort and a 1% underpin. Based on these assumptions, the average life expectancies at age 65 are as follows:

	Males	Females
Current Pensioners	21.2 years	23.4 years
Future Pensioners*	23.6 years	25.8 years

*Future pensioners are currently assumed to be aged 45

Historic Mortality

Life expectancies are based on the PFA92 and PMA92 tables. The allowance for future life expectancies is as follows:

	Prospective Pensioners	Pensioners
31 March 2010	Year of birth, medium cohort and 1% minimum improvements from 2007	Year of birth, medium cohort and 1% minimum improvements from 2007

20. Nature and Extent of Risks Arising from Financial Instruments

The nature of the activities of the Pension Fund exposes it to a variety of financial risks. The objectives of a funded pension arrangement such as the LGPS means that certain of these risks are a necessary and appropriate component of the investment strategy in order to achieve the targeted long term rate of return assumed by the Fund Actuary in setting employer contribution rates.

The key risks identified are:

Credit Risk - the risk that one party to a financial instrument will cause a financial loss to another party by failing to meet its obligations.

The Fund is exposed to credit risk in its operational activities through securities lending, forward currency contracts, derivative positions (futures) and treasury management activities. Commercial credit risk also arises with those organisations that pay monies over to the Fund (debtors) as part of the administration function, principally contributions from employers and transfers in from other registered pension schemes.

The pension fund does not apply service credits in respect of transfers in until cash settlement is made and closely monitors the monthly receipt of contributions and annual reconciliation to member records. The Funding Strategy Statement requires safeguards to be in place on all new admission agreements to protect the Fund from an employer default, primarily through a

guarantee from a tax backed scheme employer for any new body. An analysis of debtor balances at 31 March 2011 is provided in note 12.

The securities lending programme is undertaken on behalf of the Fund by the custodian Northern Trust and is managed through a securities lending agreement. In this capacity Northern Trust is operating as an agent lender.

Northern Trust manages counterparty and collateral risk and the overall lending programme on behalf of the Fund. The minimum level of collateral held against securities on loan is 102% although for certain lending (cross currency loans and non-US equities) a higher level of 105% is applied. These limits are standard across the securities lending industry. Subject to certain de minimis limits the level of collateral is reassessed daily for the period of the loan to ensure that it takes account of market movements. In addition Northern Trust provides enhanced indemnity to the Fund to cover borrower default, restoration of loaned security positions and entitlements to securities on loan. Further details of the stock lending programme are provided in note 9. The most recent example of a borrow default occurred in 2008 when Lehman Brothers failed, in this case all loaned positions were restored in a short period without loss to the Fund.

Forward currency contracts are undertaken by the Northern Trust for the passive currency hedging programme and by the Funds appointed Fund managers. The largest single contracts are entered into for the overseas equity passive currency hedge; the counterparty on these contracts is Northern Trust. The counterparty on contracts entered into by other investment managers is at the discretion of those managers and may be Northern Trust or another financial institution. All parties entering into forward contracts on behalf of the fund are FSA regulated and meet the requirements of the LGPS (Management & Investment of Funds) Regulations 2009. Further details of forward foreign exchange contracts are provided in note 10 b).

Futures contracts entered into by the Fund are all exchange traded. At the 31 March 2011 the contracts in place were all traded on the NYSE Euronext Liffe exchange. Further details of these futures contracts are provided in note 10 c). In these transactions the clearing broker (RBS) acts as counterparty to both sides of the contract (buyer and seller). The clearing broker requires both parties to put up an initial amount of cash (variation margin). All positions are then marked to market daily, with margins required to be posted and maintained at all times. This minimises the risk of default by either party. In the event that a client does default, FSA rules state that the broker must make good the position to the extent that it is able, primarily through accessing the other party's variation margin. The ultimate default risk therefore lies with RBS and their balance sheet strength but is underpinned by the contractual requirement for variation margin. RBS is a registered deposit taking institution and therefore monies posted to it are held under banking regulation rather than in accordance with FSA client money rules.

The Pension Fund's bank account is held with the Co-operative Bank (Co-op), which is also banker to the Administering Authority. The bank holds an A- long term credit rating with Fitch. Cash is not invested with Co-op but is placed with institutions on the Administering Authority's approved counter-party list. The management of cash is carried out by the Treasury Management team of the Administering Authority in accordance with the cash management strategy approved by Pensions Committee. The Committee have approved the management of cash in accordance with the policies and practices followed by the Administering Authority for its own investments as outlined in the CIPFA Code of Practice for Treasury Management in the Public Services. The Authority sets detailed credit criteria having taken independent advice and has maximum exposure limits to any single institution. At 31 March 2011 £6.5 million was under management by the Administering Authority's Treasury Management Team. Over the last five financial years the Pension Fund has no experience of default or uncollectible deposits.

The following table summarises the maximum exposure to credit risk of the cash held with the Administering Authority's Treasury Management Team.

	Amount at 31 March 2011	**Historical Experience of default**	**Estimated maximum exposure to default at 31 March 2011**
	£000s		**£000s**
AAA rated counterparties	650	0.00%	0
AA rated counterparties	5,950	0.03%	2
Total	6,500		2

The majority of the funds cash within the custody system (Northern Trust) is swept overnight to the AAA rated money market funds of the custodian. The historical experience of default from AAA rated entities demonstrated above is nil. In addition one manager has elected to use an AAA rated money market fund managed by Deutsche Bank and a single manager has exercised the option to use direct overnight deposits with other institutions (using the Norfolk County Council approved borrower list and counterparty limits adopted by the Pension Fund). The total balance held on Northern Trust money market funds at 31 March 2011 was £39.5 million, with a smaller balance of £1.8 million held in the Deutsche Bank fund. The use of a money market fund provides an underlying diversification of counter-party and avoids exposure to a single institutional balance sheet, in this case the custodian.

At 31 March the direct deposit of £2.4 million was with Lloyds TSB, which is rated AA- by Fitch. As above the historical instance of default by AA rated counterparties is 0.03%. In addition to this there was £0.5 million held directly with the custodian (rated AA-) and £3.5 million on a variation margin account in respect of futures positions open at the year-end. The variation margin is held by RBS (rated AA-).

Credit risk will be considered by the Funds bond managers in their portfolio construction. A bond is a saleable debt instrument issued by a corporation, government or other entity, the instrument may be purchased direct from the issuer or in the secondary market. The Fund has three bond managers M&G, Henderson and Goldman Sachs Asset Management (GSAM). M&G and GSAM manage assets against absolute return (LIBOR plus) benchmarks and the Henderson benchmark is comprised of a composite of several underlying bond indices. The M&G mandate contains segregated assets and follows a "buy and hold" strategy of investment grade bonds to meet its benchmark. At 31 March 2011 the average credit quality of this mandate was an A rated and the portfolio had suffered no defaults since inception. The GSAM investment is in a pooled vehicle with diverse underlying assets and strategies. At 31 March 2011 the average credit quality of the portfolio was AA-. The Henderson portfolio is mixture of directly held index-linked gilts and pooled funds with more diverse exposure. The average rating of this portfolio at 31 March 2011 was AA.

Liquidity Risk – the risk that the fund will have insufficient liquid assets (cash) to meet its investment or benefit obligations as they fall due.

The pension fund holds sufficient working capital to ensure that it has sufficient cash available to meet benefit and transfer payments and cash drawdown requirements in respect of certain investment transactions. Within mandates it is the responsibility of the individual managers to ensure that they have sufficient funds available to meet the transactions they enter into on behalf of the Fund. These responsibilities are detailed with in the Investment Management Agreements. At an investment level a large proportion of the funds investments are held in instruments that can be realised at short notice if a cash flow need arose. Certain of the investments, particularly property and private equity funds are considerable less liquid but these make up a far smaller proportion of the overall portfolio (less than 25%). Currently the Fund is cash flow positive each month (i.e. the contributions received exceed the pensions paid leaving net cash available for investment). This position is monitored regularly and formally reviewed by the Actuary as part of the Triennial Valuation process. The Fund is closely monitoring the impact of workforce reduction among its participating employers and member opt-outs on this situation. From the 1 April 2011 the basis of deficit recovery contributions was altered for the majority of employers to address this risk and maintain the level of cash flow required by the Actuary without reference to the current size of the employers' payroll.

Market Risk – the risk that the fair value of cash flows of a financial instrument will fluctuate due to changes in market sentiment. Market risk reflects interest rate, currency and other price risk.

Market risk is inherent in the investments that the Fund makes. To mitigate market risk the investments are made in a diversified pool of asset classes and investment approaches to ensure a risk adjusted balance between categories. The Fund takes formal advice from its independent investment consultant (Hymans Robertson LLP) and the portfolio is split between a number of managers and investment strategies with different benchmarks and performance targets. Full details can be found in the Statement of Investment Principles that is available from www.norfolkpenisionfund.org. Investment risk and strategy are regularly reviewed by Pensions Committee.

Interest rate risk primarily impacts on the valuation of the Funds' bond holdings and to a lesser degree the return it receives on cash held. All of the bond exposure is actively managed and two of the mandates have absolute return (LIBOR plus) benchmarks as detailed previously. The Fund monitors and benchmarks the interest rates achieved on money market and treasury deposits to provide reassurance over the rates being obtained. This is balanced against the requirement to ensure security of deposits.

Currency risk is the extent to which the pension fund is exposed to fluctuations in exchange rates and the impact these fluctuations have on the Sterling valuation of assets denominated in foreign currency. To partly mitigate this risk the Fund has a currency hedging programme in place the details of which can be found in note 10 b)

Price risk is the risk of volatility (+/-) in the price (valuation) of the assets held by the Fund. The level of volatility will vary by asset class and also over time. The Fund has some diversification in the asset classes in which it invests, which seeks to reduce the correlation of price movements between different asset types, while employing specialist investment managers to best deploy capital in line with the Funds overall strategy. The Local Government investment regulations contain prescribed limits to avoid over-concentration in specific areas.

Custody

The Fund has appointed Northern Trust as a global custodian with responsibility for safeguarding the assets of the Fund. Northern Trust is an established custodian bank with more than $4.4 trillion of assets under custody. They have been the Fund's custodian since 2000 and were reappointed in 2008. Northern Trust has a stable AA- credit rating. Monthly

reconciliations are preformed between the underlying records of the custodian and the appointed investment managers, regular meetings are held to monitor and discuss performance including the presentation of Key Performance Indicators.

Investment Management

The Fund has appointed a number of segregated and pooled fund managers to manage portions of the Fund. An Investment Management Agreement is in place for each relationship. All appointments meet the requirements set out in the LGPS (Management and Investment of Funds) Regulations 2009. Managers report performance on a quarterly basis and this is monitored and reported to Pensions Committee. The Fund makes use of a third party performance measurement service (WM). All managers report to Committee at least once a year in addition to regular review meetings and discussions with officers.

Sensitivity of funding position to market conditions and investment performance

When preparing the formal valuation the Actuary takes the assets of the fund at market value on the valuation date. Volatility in investment performance as a result of market risk factors can have an immediate and tangible effect on the funding level and deficit. This is particularly relevant because the Fund is invested predominantly in riskier (and historically higher return) assets such as equities and equity-like investments (e.g. property). A rise or fall in the level of equity prices can have a direct impact on the financial position of the Fund.

Less obvious is the effect of anticipated investment performance on the Fund's liability to pay future pension benefits. Here the returns available on government bonds (gilts) are important, as the discount rate that is used to place a value on liabilities is the gilt yield at the valuation date plus a margin of 1.55% per annum. Effectively if the gilt yield rises the discount rate will increase and all other things being equal the value placed on liabilities will fall. If the fund was invested entirely in gilts rather than potentially higher returning assets the discount rate would be lower as no margin for performance over gilts could be assumed.

The table below has been prepared by the Fund Actuary and shows the funding level (top), deficit (middle) and total contribution rate (bottom) would vary if the investment conditions at the last formal valuation date (31 March 2010) had been different. The level of the FTSE 100 index is used as a proxy for investment performance and the index linked gilt yield as the proxy for the valuation of liabilities. The shaded box is the actual position at 31 March 2010

Index Linked Gilt Yield						
	0.5%	67% (831) 28.0%	72% (701) 26.2%	77% (570) 24.5%	82% (440) 22.7%	88% (310) 20.9%
	0.7%	69% (747) 26.0%	75% (616) 24.2%	**80%** **(486)** **22.4%**	85% (356) 20.6%	91% (226) 18.8%
	0.9%	72% (666) 24.1	77% (535) 22.3%	83% (405) 20.4%	88% (275) 18.6%	94% (145) 16.8%
	FTSE 100 Index	4,680	5,180	5,680	6,180	6,680

The examples shown are not exhaustive and should not be taken as the limits of how extreme future investment conditions may be. There are other factors not related to market risk that will also impact on the funding position at a given date including but not limited to longevity, member profile, pay awards etc. The risks are covered in more detail in the formal valuation report available from www.norfolkpensionfund.org.

21. Statement of Investment Principles and Funding Strategy Statement

The Norfolk Pension Fund has a published Statement of Investment Principles including details of our compliance with recognised good investment practices and a Funding Strategy Statement which is a summary of the Funds' approach to funding liabilities.

Both documents can be found on the Internet at the following location:

http://www.norfolkpensionfund.org/AboutUs/Pages/Formsandpublications.aspx

Alternatively a copy can be obtained from the Norfolk Pension Fund:

Norfolk Pension Fund
Floor 4 Lawrence House
5 St Andrews Hill
Norwich

NR2 1AD

Participating Employers (employers with active members during the year)

Major Scheduled & Resolution Bodies

Borough Council of King's Lynn & West Norfolk
Breckland Council
Broadland District Council
Great Yarmouth Borough Council
Norfolk and Suffolk Probation Trust
Norfolk County Council
Norfolk Police Authority
North Norfolk District Council
Norwich City Council
NPS Property Consultants Ltd
South Norfolk District Council

Scheduled & Resolution Bodies

Acle Parish Council
ARP Trading
Attleborough Town Council
Aylsham Town Council
Bradwell Parish Council
Broads (2006) I D B
Broads Authority
Buxton With Lamas Parish Council
Cawston Parish Council
City Academy Norwich
City College Norwich
College of West Anglia
Costessey Parish Council
Cringleford Parish Council
Cromer Town Council
Dereham Town Council
Dersingham Parish Council
Diss Town Council
Downham & Stow Bardolph I D B
Downham Market Town Council
East Norfolk Sixth Form College
East of Ouse, Polver & Nar I D B
Eastern Inshore Fisheries and Conservation Authority
Easton College
Fakenham Town Council
Framingham Earl Parish Council
Great Yarmouth College of F. E.
GYB Services Ltd
Hales & Heckingham Parish Council
Hellesdon Parish Council
Hindolveston PC
Holt Town Council
Kettlestone Parish Council
King's Lynn Academy

King's Lynn I D B (KLIDB & WMA)
King's Lynn IDB (WMA)
Little Snoring Parish Council
Loddon Parish Council
Martham School Trust
Mattishall Parish Council
Mundesley Parish Council
NCS Transport Ltd
Norfolk Rivers I D B
Norfolk Rural Community Council
Norse Commercial Services
North Walsham Town Council
Northrepps Parish Council
Norwich University College of the Arts
NPS (London) Ltd
NPS (South East) Ltd
NPS (South West) Ltd
Old Catton Parish Council
Open Academy – Heartsease
Ormiston Venture Academy
Ormiston Victory Academy
Paston College
Poringland Parish Council
Redenhall with Harleston Town Council
Reepham Town Council
South Walsham Parish Council
South Wootton Parish Council
Southery & District I D B
Spixworth Parish Council
Sprowston Parish Council
Stibbard Parish Council
Suffolk Coastal Services
Swaffham Town Council
Swanton Morley Parish Council
Tasburgh Parish Council
Taverham Parish Council
Thetford Academy
Thetford Town Council
Thorpe St. Andrew Town Council
Upton with Fishley P C
Wells-Next-The-Sea Town Council
Wymondham College Academy
Wymondham Town Council

Admitted Bodies

Age UK Norfolk
Age UK Norwich
Amey Infrastructure Services
Anglia Maintenance Services
Childhood First
Circle Anglia Limited

Connaught (electrical and mechanical contract)
Connaught (heating services contract)
Connaught (housing repair contract)
Crossroads Caring for Carers in Norfolk Ltd
Dereham, Watton & Holt CAB
Edwards and Blake
Flagship Housing Group
Fountains (arboriculture contract)
Fountains (grounds maintenance contract)
Freebridge Community Housing Ltd
Great Yarmouth Port Authority
Great Yarmouth Port Company
Great Yarmouth Racecourse Ltd
May Gurney Limited
Norfolk Association of Local Councils
Norfolk Community Alcohol Services (NORCAS)
Norfolk Heritage Fleet Trust
Norwich Airport Limited
Peddars Way Housing Association
Saffron Housing Trust Limited
Serco Government Services
Sherwood Cleaning Group Ltd
Stonham
The Exchange
Verdant Refuse
Victory Housing Trust

Glossary of Terms

ACCOUNTING PERIOD

The period of time covered by the accounts, normally a period of twelve months commencing on 1 April. The end of the accounting period is the Balance Sheet date.

ACCOUNTING POLICIES

The basis on which an organisation's financial statements are based to ensure that those statements 'present fairly' the financial position and transactions of that organisation. Accounting concepts include 'materiality', 'accruals', 'going concern' and 'primacy of legislative requirements'.

ACCRUALS

Sums included in the final accounts to recognise revenue and capital income and expenditure earned or incurred in the financial year, but for which actual payment had not been received or made as at 31 March.

ACTUARIAL GAINS AND LOSSES

These may arise on both defined benefit pension scheme liabilities and assets. A gain represents a positive difference between the actuarial assumptions and actual experience (e.g. liabilities during the period were lower than estimated). A loss represents a negative difference between the actuarial assumptions and actual experience (e.g. liabilities during the period were higher than estimated).

AMORTISATION

The measure of the wearing out, consumption, or other reduction in the useful economic life of an intangible Long Term asset.

AMORTISED COST

This is cost that has been adjusted for amortisation.

AREA BASED GRANT (ABG)

This is a non-ringfenced general grant, with no conditions imposed as to how it may be used, paid by Central Government to County Councils and District Councils.

ASSET

An item owned by the Council which has a value, for example, premises, vehicles, equipment, cash.

ASSOCIATED COMPANIES

An organisation in which the Council has a participating interest and over which it can exercise significant influence without support from other participants in that organisation (e.g. other board members etc.).

BALANCE SHEET

A statement of the recorded assets, liabilities and other balances at the end of the accounting period.

BORROWING

Government support for capital investment is described as either Supported Capital Expenditure (Revenue) known as SCE(R) or Supported Capital Expenditure (Capital Grant)

known as SCE(C). SCE can be further classified as either Single Capital Pot (SCP) or ring-fenced.

BUDGET

The statement of the Council's policy expressed in financial terms usually for the current or forthcoming financial year. The Revenue Budget covers running expenses (see revenue expenditure), and the Capital Budget plans for asset acquisitions and replacements (see capital expenditure).

BEST VALUE ACCOUNTING CODE OF PRACTICE (BVACOP)

Provides guidance to local authorities on financial reporting to stakeholders. It establishes 'proper practice' with regard to consistent financial reporting, which allows direct comparisons of financial information to be made with other local authorities.

CAPITAL EXPENDITURE

Expenditure on the acquisition of a Long Term asset, which lasts normally for more than one year, or expenditure, which adds to the life or value of an existing Long Term Assets.

CAPITAL FINANCING

Funds raised to pay for capital expenditure. There are various methods of financing capital expenditure including borrowing, leasing, direct revenue financing, usable capital receipts, capital grants, capital contributions, revenue reserves and earmarked reserves.

CAPITAL PROGRAMME

The capital schemes the Council intends to carry out over a specific period of time.

CAPITAL RECEIPTS

Monies received for the sale of assets, some of which may be used to finance new capital expenditure or to repay outstanding loan debt as laid down within rules set by the Central Government.

CASH EQUIVALENTS

These are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Cash Equivalents are held for the purpose of meeting short term cash commitments rather than for investment purposes.

CHARTERED INSTITUTE OF PUBLIC FINANCE AND ACCOUNTANCY (CIPFA)

The Chartered Institute of Public Finance and Accountancy (CIPFA) is the professional accountancy institute that sets the standards for the public sector. CIPFA publishes the Accounting Codes of Practice for local government.

CODE OF PRACTICE ON LOCAL AUTHORITY ACCOUNTING (the Code)

The Code of Practice on Local Authority Accounting in the United Kingdom 2010/11: Based on International Financial Reporting Standards (the Code) aims to achieve consistent financial reporting between all English local authorities. It is

based in generally accepted accounting standards and practices.

COLLECTION FUND

A separate fund that records the income and expenditure relating to Council Tax and non-domestic rates. District Councils estimate the extent to which they will successfully collect Council Tax in their area. Any surplus or deficit is carried forward to the next financial year.

COMMUNITY ASSETS

Community assets are assets that the local authority intends to hold for an unlimited period of time, have no determinable finite useful life and may have restrictions on their disposal, e.g. Waxham Great Barn.

CONTINGENT LIABILITIES

Potential costs that the Council may incur in the future because of something that happened in the past.

CORPORATE AND DEMOCRATIC CORE (CDC)

Corporate and Democratic Core represents costs associated with democratic representation and management and corporate management. Democratic representation and management includes all aspects of Members' activities. Corporate management concerns the cost of the infrastructure that allows services to be provided and the cost of providing information that is required for public accountability. Such costs form part of total service expenditure, but are excluded from the costs of any particular service.

CREDITORS

Amounts owed by the Council for goods and services provided for which payment has not been made at the end of the financial year.

CURRENT VALUE

This is the cost of an asset if bought in the current year.

DEBTORS

Sums of money due to the Council but not received at the end of the financial year.

DEDICATED SCHOOLS GRANT (DSG)

A specific grant paid to local authorities to fund the cost of running its schools.

DEFICIT

Arises when expenditure exceeds income or when expenditure exceeds available budget.

DEPRECIATION

The measure of the wearing out, consumption, or other reduction in the useful economic life of a Long Term asset.

EVENTS AFTER THE BALANCE SHEET DATE

Events after the Balance Sheet date are those events, favourable or unfavourable, that occur between the Balance Sheet date and the date when the Statement of Accounts is authorised for issue.

EXCEPTIONAL ITEMS

Material items which derive from events or transactions that fall within the ordinary activities of the Authority and which need to be disclosed separately by virtue oftheir size or incidence to give fair presentation of the accounts.

EXPECTED RETURN ON PENSION ASSETS

For a funded defined benefit scheme, this is the average rate of return, including both income and changes in fair value but net of scheme expenses, which is expected over the remaining life of the related obligation on the actual assets held by the scheme.

EXTRAORDINARY ITEMS

Material items, possessing a high degree of abnormality, which derive from events or transactions that fall outside the ordinary activities of the Authority and which are not expected to recur. They do not include exceptional items, nor do they include prior period items merely because they relate to a prior period.

FAIR VALUE

The price at which we could buy or sell an asset in a transaction with another organisation, less any grants we receive towards buying or using that asset.

FINANCIAL ASSET

A right to future economic benefits.

FINANCIAL INSTRUMENT

Any contract that gives rise to a financial asset in one organisation and a financial liability in another.

FINANCIAL LIABILITY

An obligation to transfer economic benefits.

FINANCE AND OPERATING LEASE

A finance lease transfers all of the risks and rewards of ownership of a Long Term asset to the lessee. If these leases are used, the assets acquired have to be included within the Long Term assets in the balance sheet at the market value of the asset involved. With an operating lease the ownership of the asset remains with the leasing company and an annual rent is charged to the relevant service committee's revenue account.

IFRS

International Financial Reporting Standards

LONG TERM ASSETS

Tangible assets that yield benefits to the Council and the services it provides for a period of more than one year.

GOVERNMENT GRANTS

Grants paid by the Government. These can be for general expenditure or a particular service or initiative, e.g. School Standards Grant

HISTORIC COST

This is the cost of an asset when originally bought.

IAS19 RETIREMENT BENEFITS

This International Accounting Standard requires local authorities to reflect the true value of the assets and liabilities relating to the Pension Fund in their financial statements. This creates a notional amount in the balance sheet but does not impact on council tax.

IMPAIRMENT

A reduction in the value of a Long Term asset to below its carrying amount on the Balance Sheet. Impairment of an asset is caused either by a consumption of economic benefits e.g. physical damage (e.g. fire at a school) or a deterioration in the quality of the service provided by the asset (e.g. a library closing and becoming a storage facility), or by a general fall in prices of that particular asset or type of asset.

INFRASTRUCTURE ASSETS

Long Term assets that are inalienable, expenditure on which is recoverable only by continued use of the asset created. Examples of infrastructure assets are highways and footpaths.

INTANGIBLE ASSETS

Intangible assets are non-financial Long Term assets that do not have physical substance but are identifiable and are controlled by the Council through custody or legal rights

INTERNATIONAL FINANCIAL REPORTING STANDARD (IFRS)

An International Financial Reporting Standard (IFRS) is issued by the International Accounting Standards Board. All local authorities are required to report under IFRS.

INVENTORY

Items of raw materials and stores an authority has procured and holds in expectation of future use. Examples are consumable stores, raw materials and products and services in intermediate stages of completion.

INVESTMENT PROPERTIES

Assets that the Council owns but are not used in the direct delivery of services, for example the Norwich Airport Industrial Estate.

LOCAL AUTHORITY (SCOTLAND) ACCOUNTS ADVISORY COMMITTEE (LASAAC)

The Local Authority (Scotland) Accounts Advisory Committee (LASAAC) assists CIPFA in setting the standards for the public sector. CIPFA publishes the Accounting Codes of Practice for local government.

LIABILITY

An obligation to transfer economic benefits. Current liabilities are usually payable within one year.

MARKET PRICE

This is the price at which another organisation is prepared to buy or sell an asset.

MINIMUM REVENUE PROVISION (MRP)

The minimum sum which must be charged to the Council's revenue account each year to provide for the repayment of loans. It is assessed at 4% of loans currently outstanding.

This ensures that the Council makes a satisfactory annual provision for loan repayments.

NET BOOK VALUE

The amount at which Long Term assets are included in the Balance Sheet, i.e. their historical costs or current value less the cumulative amounts provided for depreciation.

NATIONAL NON DOMESTIC RATES (NNDR)

The business rate in the pound is the same for all non domestic rate payers and is set annually by the Government. Income from business rates goes into a central Government pool, which is then distributed to local authorities according to resident population.

NON DISTRIBUTED COSTS

These are specific overheads relating to unused assets and certain pension costs for employees' service in previous years. These are not allocated to service departments because they do not relate to the in-year cost of providing the service.

NON OPERATIONAL ASSETS

Non operational assets are Long Term assets held by the Council but not directly occupied or used in the delivery of services. They include surplus properties awaiting disposal and assets that are under construction.

OPERATIONAL ASSET

Operational assets are Long Term assets (for example, land and buildings) held by the Council that are directly occupied or used in the delivery of services.

OUTTURN

The actual amount spent in the financial year.

PENSION FUND

A fund which makes pension payments on retirement of its participants.

PRIVATE FINANCE INITIATIVE (PFI)

A Government initiative that enables, through the provision of financial support, authorities to carry out capital projects through partnership with the private sector.

PRECEPTS

The income which the Council requires a District Council to raise on behalf of the County Council from Council Tax.

PROVISION

An amount put aside in the accounts for future liabilities or losses which are certain or very likely to occur but the amounts or dates of when they will arise are uncertain.

PRUDENTIAL CODE

The Government removed the extensive capital controls on borrowing and credit arrangements from 2004/05 and replaced them with a Prudential Code under which each Council determines its own affordable level of borrowing. The

Prudential Code requires authorities to set specific prudential indicators e.g. affordable borrowing limit on an annual basis.

RESERVES

A reserve is an amount set aside for a specific purpose in one financial year and carried forward to meet expenditure in future years. County Fund (General Balances) is available to meet future revenue and capital expenditure.

REVENUE EXPENDITURE AND INCOME

The expenditure includes day to day expenses, mainly salaries and wages, general running expenses and the minimum revenue provision cost. Revenue income includes charges made for goods and services.

REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE (REFCUS)

Capital expenditure, which does not create a tangible asset, e.g. improvement, grants or expenditure on an asset not owned by the County Council, e.g. leased properties. Previously referred to as Deferred Charges.

REVENUE SUPPORT GRANT (RSG)

Central Government pays Revenue Support Grant to County Councils and District Councils in respect of local authority expenditure generally.

SUBSIDARY

An organisation that is under the control of the Council (e.g. where the Council controls the majority of voting rights, etc.)

SURPLUS

Arises when income exceeds expenditure or when expenditure is less than available budget.

VALUE ADDED TAX (VAT)

A tax on consumer expenditure, which is collected on business transactions at each stage in the supply, but which is ultimately borne by the final customer.

VARIATION

The difference between budgeted expenditure and actual outturn, also referred to as an over or under spend